CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC

REGISTRATION NUMBER: 2002/024027/08

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

General Information

DIRECTORS	Prof A Bawa Chairperson (Durban University of Technology) Prof R Bharuthram (University of the Western Cape) Dr D Clark (Aurum Research Institute) Prof LP Fried (Columbia University, New York) Prof JM Blackledge (University of KwaZulu-Natal) Prof SA Madhi (National Institute of Communicable Diseases) Prof DP Visser (University of Cape Town) Prof SS Abdool Karim (Director: CAPRISA) Justice MZ Yacoob Mr S Naidoo (Pierian SA) - resigned on 14 April 2015 Dr N Padayatchi - appointed on 14 April 2015 Dr C Montague - appointed on 14 April 2015 Prof Q Abdool Karim - appointed on 14 April 2015 Prof LE Mazwai - appointed on 14 April 2015 Mr M Rajab – appointed on 14 April 2015
NATURE OF BUSINESS	During the year the company continued to conduct HIV Research, financed by grants received from various donors both local and international. Some grants are received through the University of Kwa-Zulu Natal.
AUDITOR	PricewaterhouseCoopers Inc
BANKERS	ABSA The Standard Bank of SA Limited
REGISTERED OFFICE	Doris Duke Medical Research Institute University of KwaZulu Natal 719 Umbilo Road Congella 4013
REGISTRATION NUMBER	2002/024027/08
DOMICILE AND COUNTRY OF INCORPORATION	Republic of South Africa

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PREPARER OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared under the supervision of the Financial Manager, N Amla CA (SA).

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2015

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Centre for the Aids Programme of Research in South Africa NPC. The financial statements presented on pages 6 to 30 have been prepared in accordance with the International Financial Reporting Standards (IFRS) and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all statements of IFRS that they consider to be applicable, have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the company at year end. The directors also prepared the other information included in the annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors are also responsible for the company's systems of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the company.

The company's external auditors, PricewaterhouseCoopers Incorporated, audited the financial statements and their report is presented on page 4.

The annual financial statements set out on pages 6 to 30 have been approved by the directors on 23 May 2016 and are hereby signed on their behalf by:

Professor SS Abdool Karim

pwc

INDEPENDENT AUDITOR'S REPORT FOR THE CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH ARFICA NPC (CAPRISA)

We have audited the financial statements of the Centre For The AIDS Programme Of Research In South Africa NPC (CAPRISA) set out on pages 6 to 30, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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T: +27 (33) 343 8600, F: +27 (33) 347 5957, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: T P Blandin de Chalain, S N Madikane, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 2 Eglin Road, Sunninghill where a list of directors' names is available for inspection
Reg. no. 1998/012055/21 VAT reg.no. 4950174682

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CAPRISA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Other matter

The supplementary information set out on page 31 does not form part of the financial statements and is presented as additional information. We have not audited this schedule and accordingly we do not express an opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: B Soorajdin
Registered Auditor
Block C
21 Cascades Crescent
Cascades
Pietermaritzburg
3201

Date: 30/05/2016

NATURE OF BUSINESS

During the year the company continued to conduct HIV Research, funded by grants received from various donors both local and International.

RESULTS OF OPERATIONS

The results of operations for the year under review are set out in the financial statements and detailed in the annexed statement of income, operating expenses and support granted.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the year amounted to R 6 019 872 (2014: R 7 126 711).

DIRECTORS

Particulars of the present directors are given on page 1.

EVENTS SUBSEQUENT TO YEAR END

No material fact or circumstance has occurred between the financial year-end and the date of this report.

GOING CONCERN

The directors considered that the company has adequate resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the company's financial statements. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient funding facilities to meet its foreseeable cash requirement.

AUDITORS

PricewaterhouseCoopers Inc. have been appointed as auditors in terms of section 90 of the Companies Act 71 of 2008.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Notes	2015 R	2014 R
Revenue		**180 142 248**	137 304 578
Other income	4	**1 646 791**	749 861
Operating expenses		**(154 995 062)**	(123 206 696)
Operating surplus before indirect costs		**26 793 977**	14 847 743
Indirect costs	2	**(9 830 753)**	(7 891 795)
Operating surplus for the year	2	**16 963 224**	6 955 948
Finance income	3	**3 439 052**	2 502 421
Forex gain		**2 240 382**	2 074 374
Prior year forex gain reclassified to profit/(loss)		**-**	4 424 014
Net surplus for the year		**22 642 658**	15 956 757
Prior year forex gain reclassified to profit/(loss)		**-**	(4 424 014)
Total comprehensive surplus for the year		**22 642 658**	11 532 743
Total comprehensive surplus for the year		**22 642 658**	11 532 743
Transferred to sustainability reserve		**(6 924 741)**	-
Increase in accumulated funds balance		**15 717 917**	11 532 743

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
(REGISTRATION NUMBER: 2002/024027/08)
(Non-Profit Company)

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2015

	Notes	2015 R	2014 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	**17 947 104**	14 591 639
Current assets			
Trade and other receivables	6	**32 478 045**	20 212 104
Current account- related party	10	**-**	4 711 092
Cash and cash equivalents	7	**44 698 179**	53 708 155
Financial assets – Investments	8	**24 636 783**	-
		101 813 007	78 631 351
TOTAL ASSETS		**119 760 111**	93 222 990
EQUITY AND LIABILITIES			
Funds		**62 669 491**	40 026 833
Accumulated funds	16	**55 744 750**	40 026 833
Sustainability reserve	16	**6 924 741**	-
Current liabilities			
Trade and other payables	9	**13 380 061**	7 713 020
Current account- related party	10	**2 050 700**	-
Deferred Income	11	**41 659 859**	45 483 137
		57 090 620	53 196 157
TOTAL EQUITY AND LIABILITIES		**119 760 111**	93 222 990

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Sustainability Reserve R	Accumulated Funds R	Total R
Balance at January 1, 2014	-	**28 494 090**	**28 494 090**
Total comprehensive surplus for the year	-	11 532 743	11 532 743
Balance at December 31, 2014	-	**40 026 833**	**40 026 833**
Total comprehensive surplus for the year	-	22 642 658	22 642 658
Transfer to sustainability reserve	6 924 741	(6 924 741)	-
Balance at December 31, 2015	**6 924 741**	**55 744 750**	**62 669 491**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Notes	2015 R	2014 R
Cash flows from operating activities			
Cash generated by operations	15	**12 704 977**	5 439 900
Finance income		**3 439 052**	2 502 421
Net cash inflow from operating activities		**16 144 029**	7 942 321
Cash flows from investing activities			
Proceeds on sale of assets		**318 239**	267 020
Acquisition of property, plant and equipment		**(6 019 872)**	(7 126 711)
Dividend income		**168 111**	-
Net purchase of financial assets-investment in shares		**(24 799 379)**	-
Net cash outflow from investing activities		**(30 332 901)**	(6 859 691)
Cash flows from financing activities			
(Decrease)/increase in deferred grant liability		**(3 823 278)**	4 615 293
Increase/ (decrease) in current account-related party		**6 761 792**	(6 789 794)
Net cash inflow from financing activities		**2 938 514**	(2 174 501)
Net decrease in cash and cash equivalents		**(11 250 358)**	(1 091 871)
Cash and cash equivalents at beginning of year		**53 708 155**	52 725 652
Exchange gains on cash and cash equivalents		**2 240 382**	2 074 374
Cash and cash equivalents at end of year	7	**44 698 179**	53 708 155

1. ACCOUNTING POLICIES

1.1 Corporate information

Centre for the AIDS Programme of Research in South Africa is a Non Profit Company in terms of the Companies Act 2008.

1.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except where otherwise stated, and incorporate the following principal accounting policies which conform to International Financial Reporting Standards and which are consistent with those applied in the previous year.

1.3 Significant accounting judgments and estimates

The preparation of the annual financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

There are no judgments that have been made by management that have a significant effect on the amounts recognised in the financial statements.

Estimation and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- *Depreciation rates and residual values*

At the beginning of each financial period management reviews the useful lives and residual values of property and equipment, and adjusts these if appropriate. Refer to note 17 for the effect of the current year change in estimate.

1. ACCOUNTING POLICIES (continued)

1.4 Revenue recognition

Grants

Grants are recognised as income in the financial year to which they relate. Grants for specific purposes are brought into the appropriate fund as income at the time that they are available to finance the expenditure for the purpose provided. However if funding is provided in advance of the specified requirements, the relevant amounts are disclosed as current liabilities.

Grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the cost that it is intended to compensate.

Interest income

Revenue is recognised as the interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Dividend income

Dividends are recognised when the company's right to receive payment has been established.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the asset.

Assets costing less than R 10 000 are written off in the year of acquisition, except for computers which are capitalised and depreciated.

Depreciation is calculated on the straight-line method, at rates calculated to write off the cost of assets over their estimated useful lives, to nil residual values or in the case of leasehold improvements over the terms of the lease as follows:.

Laboratory, computers and office equipment	5 - 10 years
Office furniture	5 years
Motor Vehicles	5 years
Leasehold improvements	
- Vulindlela Clinic	5 years
- CDC Clinic	5 years
- Umlazi Clinic	5 years
- DDMRI Building	10 years

Depreciation methods, useful lives and residual values are assessed annually at the reporting date. During the current year, the useful lives of laboratory equipment was changed from 5 years to 10 years. Further details are included in note 17.

1. ACCOUNTING POLICIES (continued)

1.6 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) There is a change in the determination of whether fulfilment is dependant on a specified asset, or;

(d) There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment of scenarios a), c) or d) and at the date of renewal or extension period for scenario b).

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

1.7 Expenditure recognition

Unless another standard permits the expenditure to be added to the cost of an asset, expenditure is recognised in profit and loss as incurred.

1.8 Financial instruments

Financial instruments recognised on the statement of financial position include assets classified as available for sale, cash and cash equivalents, trade and other receivables and trade and other payables. Financial instruments are initially measured at cost, which is the fair value of the consideration given or received including transaction costs when the entity becomes a party to the contractual provisions of the instrument and any subsequent measurement adjustments are made in accordance with the specific instrument related provisions of IAS 39 - Financial Instruments - Recognition and Measurement as follows:

Assets classified as available-for-sale

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. A fair value gain or loss on an available-for-sale financial asset shall be recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. At that time, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment. However, interest calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the entity's right to receive payment is established.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

impairment loss on that financial asset previously recognised in profit or loss – is recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

Trade and other receivables

Trade and other receivables are classified as loans and receivables originated by the entity and are subsequently measured at amortised cost (using the effective interest rate method) less any impairment thereon. Trade and other receivables being short term in nature, are carried at cost as the effect of imputing interest is considered immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and cash on hand.

Cash and cash equivalents amounts disclosed in the statement of cash flows comprise of cash on hand and balances with banks.

Trade and other payables

Trade and other payables are classified as financial liabilities and are subsequently carried at amortised cost using the effective interest rate method. Trade payables, being short term in nature, are carried at cost as the effect of imputing interest is considered to be insignificant.

Derecognition of financial assets and liabilities

a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the entity has transferred its rights to receive cash flows from the asset and either:
  - (a) has transferred substantially all the risks and rewards of the asset, or
  - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the statement of comprehensive income.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

1.9 Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the obligation can be made.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle obligations and a reliable estimate of the amount of the obligation can be made.

1. ACCOUNTING POLICIES (continued)

1.10 Taxation

Current income tax

The company is exempt from tax in terms of the income Tax Act.

Value added tax

Expenses and assets are recognised net of the amount of value added tax.

1.11 Standards and amendments in issue not yet effective

The following new accounting standards that will impact on the financial statements of the company, or may affect the accounting for future transactions or arrangements, have not yet become effective and have not been adopted prior to their commencement:

- IFRS 9 – *Financial Instruments* (1 January 2018)
- IFRS 15 – *Revenue from contracts with customers* (1 January 2018)
- Amendment to IAS1 – *Presentation of financial statements* (1 January 2016)
- Amendment to IAS16 – *Property, plant and equipment* (1 January 2016)
- Amendment to IAS38 – *Intangible assets* (1 January 2016)
- Amendment to IAS7 – *Cash flow statements* (1 January 2017)

The above new standards and amendments are not expected to have a significant impact to the current accounting treatment.

- IFRS 16 – *Leases* (1 January 2019)

Under IFRS 16- *Leases*, lessees will be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. A lessee is not required to recognise assets and liabilities for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture).
A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and also includes costs directly related to entering into the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and will provide greater transparency of a lessee's financial leverage and capital employed.

1.12 Standards and amendments effective for the current year

Amendment to IAS19 – *Employee benefits*

The scope amendments to IAS19 – *Employee benefits* apply to contributions from employees or third parties to defined benefit plans. As the entity does not have defined benefit plans in place, this amendment will not impact the entity.

	2015 R	2014 R

2. Operating surplus for the year

Net operating surplus is arrived at after taking into account the following items:

	2015 R	2014 R
Salaries	**76 449 668**	69 711 310
Directors remuneration (note 20)	**3 958 604**	780 469
Auditors' remuneration		
- External and donor audit	**873 823**	449 151
Legal and other professional fees	**1 860 234**	1 638 445
Repairs and maintenance	**2 896 189**	2 987 150
Depreciation	**2 600 404**	4 804 443
Profit on sale of asset	**254 236**	267 020
Operating lease costs- office equipment	**325 177**	402 601
Operating lease costs- buildings	**1 052 884**	1 034 574

Indirect costs have been funded by the following grants, to the extent that related grant funding has been recognised in terms of the stated accounting policy:

	2015 R	2014 R
Clinical Trials Unit	**2 338 089**	1 842 290
Magee Women's Research Institute	**1 339 543**	1 086 360
CAP008 – CONRAD	**3 335 340**	2 607 601
Other	**2 817 781**	2 355 544
Total indirect costs	**9 830 753**	7 891 795

Summary of indirect costs

	2015 R	2014 R
University (UKZN) administration fees	**-**	3 975
CAPRISA administration and finance related expenses	**9 830 753**	7 887 820
Total indirect costs	**9 830 753**	7 891 795

3. Finance income

	2015 R	2014 R
Interest received - bank	**3 439 052**	2 502 421

4. Other income

	2015 R	2014 R
Profit on sale of asset	**254 236**	267 020
Sundry income	**1 224 444**	482 841
Dividend income	**168 111**	-
	1 646 791	749 861

5. Property, plant and equipment

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2015				
Beginning of year cost	13 033 719	4 921 944	24 011 422	41 967 085
- Accumulated depreciation	(9 821 330)	(2 600 951)	(14 953 165)	(27 375 446)
Net book value	**3 212 389**	**2 320 993**	**9 058 257**	**14 591 639**
Movements during the year				
- Additions	773 798	1 748 821	3 497 253	6 019 872
- Disposals	-	(30 473)	(33 530)	(64 003)
- Cost	-	(1 131 617)	(2 832 337)	(3 963 954)
- Accumulated depreciation	-	1 101 144	2 798 807	3 899 951
Depreciation	(360 766)	(673 233)	(2 403 765)	(3 437 764)
Change in estimate	-	-	837 360	837 360
Balance at end of year	**3 625 421**	**3 366 108**	**10 955 575**	**17 947 104**
Made up at end of year				
- Cost	13 807 517	5 539 148	24 676 338	44 023 003
- Accumulated depreciation	(10 182 096)	(2 173 040)	(13 720 763)	(26 075 899)
Net book value	**3 625 421**	**3 366 108**	**10 955 575**	**17 947 104**

5. Property, plant and equipment (continued)

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2014				
Beginning of year cost	12 900 387	3 602 008	18 975 777	35 478 172
- Accumulated depreciation	(7 890 914)	(2 656 299)	(12 661 588)	(23 208 801)
Net book value	**5 009 473**	**945 709**	**6 314 189**	**12 269 371**
Movements during the year				
- Additions	133 332	1 957 734	5 035 645	7 126 711
- Disposals	-	-	-	-
- Cost	-	(637 798)	-	(637 798)
- Accumulated depreciation	-	637 798	-	637 798
- Depreciation	(1 930 416)	(582 450)	(2 291 577)	(4 804 443)
Balance at end of year	**3 212 389**	**2 320 993**	**9 058 257**	**14 591 639**
Made up at end of year				
- Cost	13 033 719	4 921 944	24 011 422	41 967 085
- Accumulated depreciation	(9 821 330)	(2 600 951)	(14 953 165)	(27 375 446)
Net book value	**3 212 389**	**2 320 993**	**9 058 257**	**14 591 639**

	2015 R	2014 R
6. Trade and other receivables		
Donor reimbursement receivable	**30 349 258**	18 629 487
VAT receivable	**1 395 562**	1 582 617
Prepaid expenses	**733 225**	-
	32 478 045	20 212 104

7. Cash and cash equivalents

	2015 R	2014 R
Cash in bank	**44 583 992**	53 597 008
Cash on hand	**114 187**	111 147
	44 698 179	53 708 155

Details of the total facilities the date for review thereof are as follows:
Details : Forward Exchange Contract (FEC/PFE – R 750,000
Settlement: (FEC)/PFE – R 15 000 000
Fleet Card – R 60,000
AVMS – R 7000

	2015 R	2014 R
Restricted cash included within the above balance	**41 659 859**	45 483 137

8. Financial assets

	2015 R	2014 R
Available for sale investments – listed shares	**24 636 783**	-

An impairment loss of R162 596 and loss on sale of shares of R 436 375 was recognised in the surplus/loss in the current year due to a decline in quoted prices.

9. Trade and other payables

	2015 R	2014 R
Trade payables	**11 170 092**	5 697 486
Accruals	**209 000**	209 000
Leave pay provision	**2 000 969**	1 806 534
	13 380 061	7 713 020

10. Amount owing by/ to UKZN

	2015 R	2014 R
Amount owing by UKZN	-	4 711 092
Amount owing to UKZN	**2 050 700**	-
	2 050 700	4 711 092

This amount is interest-free, unsecured and there are no fixed terms of repayment.

11. Deferred income

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
2015	**45 483 137**	**27 358 313**	**(31 181 591)**	**41 659 859**
2014	40 867 843	39 758 501	(35 143 207)	45 483 137

The deferred income refers to income received, but not realised until all contractual grant obligations have been fulfilled, or the time period of the grant has lapsed.

12. Taxation

The company is registered as an "association not for gain" in terms of section 21 of the Companies Act of South Africa, and is exempt from taxation in terms of section 10(1)(cN) of the Income Tax Act. Accordingly, no provision for current taxation has been raised.

13. Financial instruments

The company's principal financial instruments comprise cash and short-term deposits. The company has various other financial assets and liabilities such as other receivables and trade payables, which arise directly from its operations. Other receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant.

13.1 Liquidity management

Liquidity risk is defined as the risk that the company would not be able to settle or meet its obligations on time or at a reasonable price.

The company has minimised its liquidity risk by ensuring that it has adequate banking facilities. The company's financial liabilities are all short-term in nature and hence no further maturity analysis has been performed. The company expects to meet its obligations from existing cash reserves, investments in quoted shares and from operating cash flows.

13.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (ie an exit price). The fair values of the company's financial instruments, which principally comprise bank and cash balances, investment in shares, receivables and accounts payable approximate their statement of financial position carrying values.

13.3 Classification of financial instruments

	Loans and receivables 2015 R	Loans and receivables 2014 R
Current assets		
Trade and other receivables	**32 478 045**	20 212 103
Cash and cash equivalents	**44 698 179**	53 708 155
Total	**77 176 224**	73 920 258

	Financial liability at amortised cost 2015 R	Financial liability at amortised cost 2014 R
Current liabilities		
Trade and accruals	**11 379 092**	5 906 486
Total	**11 379 092**	5 906 486

	Available for Sale 2015 R	Available for Sale 2014 R
Financial assets – Investment in shares	**24 636 783**	-

14. Financial risk management

The company's operating activities expose it to various financial risks that, if left unmanaged, could adversely impact on current or future earnings. Although not necessarily mutually exclusive, these financial risks are categorised separately according to their different generic risk characteristics and include market risk (foreign currency risk, price risk and cash flow interest rate risk), credit risk and liquidity risk. The company is actively engaged in the management of all of these financial risks in order to minimise their potential adverse impact on the company's financial performance.

The company does not take positions on derivative contracts speculatively and only enters into contractual arrangements with counterparties that have investment grade credit ratings.

Exchange rate risk
Foreign currency transactions constitute a risk, especially as all foreign grants are denominated in United States Dollars, the receipt of which, by way of a series of tranches, is spread over an extended period of time. The entity manages this risk by holding these foreign denominated funds in a USD denominated bank account and converting it to Rands when the exchange rate is favourable.

14. Financial risk management (continued)

Market risk

The company activities are exposed to primarily foreign exchange, price risk and cash flow interest rate risk. These risks are actively monitored on a continuous basis and managed through the use of various CFC accounts. Although the company's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. The company is now exposed to price risk from the current year.

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the company's financial assets and financial liabilities at the reporting dates presented. The sensitivity analysis provides an indication of the impact on the company's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the company operates in. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near term future volatility. A 30% weakening of the Rand against the US Dollar would have increased or decreased profit/loss by R565 094, assuming that all other variables remain constant.

	2015 R	2014 R
Foreign Denominated balances:		
ABSA USD CFC Account:	$ 121 447	$ 216 403
Exchange rate at year end	15.51	11.6017
5% change in exchange rate	4.6530	3.4800
Impact on total comprehensive surplus	565 093	753 082

Cash flow interest rate risk

The company holds cash and cash equivalents. Consequently, it is exposed to cash flow interest rate risk.

The company's accounting policy stipulates that all borrowings are held at amortised cost.

Management of cash and cash equivalents

Cash comprises cash on hand, and short term deposits. Arrangements are in place, to ensure that cash is utilised most efficiently for the ongoing working capital needs of the company and that the company earns the most advantageous rates of interest available.

Net variable rate debt represents variable rate debt (which excludes deferred grant liabilities) less cash and cash equivalents. Reasonably possible changes in interest rates have been applied to net variable rate debt, in order to provide an indication of the possible impact on the company's statement of comprehensive income.

Net variable rate debt sensitivity analysis

	2015 R	2014 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	**13 380 061**	7 713 020
Less: Cash and cash equivalents and financial assets	**(44 698 179)**	(53 708 155)
Net variable rate exposure	**(31 318 118)**	(45 995 135)
Interest income per statement of comprehensive income	**3 439 052**	2 502 421
Net variable rate exposure	**55 954 901**	45 995 135
Effective rate	**10.98%**	5.44%
Therefore a 5% movement would impact the statement of comprehensive income by	**313 181**	459 951

Price risk

The company's exposure to equity securities price risk arises from investments held in listed shares which are classified in the statement of financial position as available-for-sale.

To manage its price risk arising from investments in equity securities, the company diversifies its portfolio.

The majority of the company's equity investments are publicly traded and are included on the Johannesburg Securities Exchange.

Price Risk Sensitivity Analysis

	2015 R	2014 R
Equity investments as per the statement of financial position	24 636 783	-
Therefore a 5% movement would result in an increase/decrease in value of	1 231 839	-

Credit risk

Credit risk is the risk that a contractual counterparty will default on its contractual obligations to the company and that the company would suffer financial loss as a consequence of such a default. The company's credit risk is mainly confined to the risk of donors defaulting contractual funding. Any credit risk arising from cash deposits is deemed to be insignificant on the basis that all relevant counterparties are investment grade entities. Full disclosure of the company's maximum exposure to credit risk is presented in the following table.

Exposure to credit risk	2015 R	2014 R
Trade and other receivables	**32 478 045**	20 212 104
Cash and cash equivalents	**44 698 179**	53 708 155
Financial assets - Investments	**24 636 783**	-
	101 813 007	73 920 259

Liquidity risk

Liquidity risk is the risk that the company could experience difficulties in meeting its commitments to creditors as financial liabilities fall due for payment. The company manages its liquidity risk by using reasonable and retrospectively assessed assumptions to forecast the future cash-generative capabilities and working capital requirements of the business and by maintaining sufficient reserves and committed borrowing facilities.

Liquidity risk (continued)

The maturity profile of the financial instruments is summarised as follows:

	Between 1 – 3 months R	< 1 year R	Total R
2015			
Financial assets			
Trade and other receivables	**32 477 445**	**-**	**32 477 445**
Cash and cash equivalents	**44 698 179**	**-**	**44 698 179**
Financial assets - Investments	**-**	**24 636 783**	**24 636 783**
Financial liabilities			
Deferred grant income	**-**	**41 659 859**	**41 659 859**
Payables	**11 379 092**	**2 000 969**	**13 380 061**
2014			
Financial assets			
Receivables	20 212 104	-	20 212 104
Cash and cash equivalents	53 708 155	-	53 708 155
Financial assets	-	-	-
Financial liabilities			
Deferred grant income	-	45 483 137	45 483 137
Payables	5 209 892	2 503 128	7 713 020

	2015 R	2014 R

15. Cash generated from operations

	2015 R	2014 R
Total comprehensive surplus	**22 642 658**	11 532 743
Adjusted for non-cash items:		
Impairment loss on investment in shares	**162 596**	-
Profit on sale of asset	**(254 236)**	(267 020)
Depreciation (net of change in estimate)	**2 600 404**	4 804 443
	25 151 422	16 070 166
Adjusted for separately distributable		
- Finance income	**(3 439 052)**	(2 502 421)
- Foreign exchange gains	**(2 240 382)**	(2 074 374)
- Dividend income	**(168 111)**	-
Changes in working capital		
(Increase)/decrease in receivables	**(12 265 941)**	(8 566 157)
Increase/(decrease) in payables	**5 667 041**	2 512 686
Cash generated from operations	**12 704 977**	5 439 900

16. Sustainability Reserve and Accumulated funds

During the current year, the sustainability reserve was created which represents the entity's surplus funds set aside to be utilised for future overheads in the ordinary course of business that will not be recovered via grant income.

Accumulated funds will be utilised to fund the conducting of HIV research.

17. Change in Estimate

During the year, the useful lives of laboratory equipment was reassessed from 5 years to 10 years. This was done in order to ensure that equipment is depreciated over its economic useful life per IAS16 – *Property, plant and equipment*. The adjustment has been made prospectively.

The effect of the adjustment is as follows:

	2015 R
<u>Effect on the statement of comprehensive income:</u>	
Decrease in expenses (depreciation)	**837 360**
<u>Effect on the statement of financial position:</u>	
Increase in carrying value of equipment	**837 360**

18. Fair values of financial assets and liabilities

At 31 December 2015

	Level 1 R	Level 2 R	Total R
Financial assets measured at fair value			
- Financial assets - investments	24 636 783	-	24 636 783
Total financial assets measured at fair value	24 636 783	-	24 636 783

At 31 December 2014

Financial assets measured at fair value			
- Financial assets – investments	-	-	-
Total financial assets measured at fair value	-	-	-

Fair values are determined according to the following hierarchy based on the requirements in IFRS 7 ' Financial Instruments: Disclosures:

- Level 1 – quoted market prices: financial assets and liabilities with quoted prices for identical instruments in active markets.
- Level 2 - valuation techniques using observable inputs: financial assets and liabilities with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial assets and liabilities valued using models where all significant inputs are observable.
- Level 3 – valuation techniques using significant unobservable inputs: financial assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

Fair values of financial assets and liabilities (continued)

The best evidence of fair value is a quoted price in an active market. In the event that the market for a financial asset or liability is not active, a valuation technique is used.

Furthermore, in some cases the majority of the fair value derived from a valuation technique with significant unobservable inputs may be attributable to observable inputs.

Consequently, the effect of uncertainty in determining unobservable inputs will generally be restricted to uncertainty about the overall fair value of the asset or liability being measured.

All financial instruments, regardless of their IAS 39 categorisation, are initially recorded at fair value. The fair value of a financial instrument on initial recognition is normally the transaction price, that is, the fair value of the consideration given or received. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or repackaging, or on a valuation technique whose variables include only observable data.

Subsequent to initial recognition, the fair values of financial instruments measured at fair value that are quoted in active markets are based on bid prices for assets, which in certain circumstances includes using quotations from independent third parties such as brokers and pricing services, and offer prices for liabilities. When quoted prices are not available, fair values are determined by using valuation techniques that refer as far as possible to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. A number of factors such as bid–offer spread, credit profile, servicing costs and model uncertainty are taken into account, as appropriate, when values are calculated using a valuation technique. Changes in the assumptions used in such valuations could impact the reported value of such instruments.

The fair value of derivative instruments reflects the estimated amount the Company would receive or pay in an arm's length transaction. This amount is determined using quotations from independent third parties or by using standard valuation techniques. For certain derivative instruments, fair values may be determined in whole or in part using techniques based on assumptions that are not supported by prices from current market transactions or observable market data.

In general, other than in respect of those securities that have been reclassified from available–for–sale to loans and receivables, none of the carrying amounts of financial assets and liabilities carried at amortised cost have a fair value significantly different to their carrying amounts. Such assets and liabilities are primarily comprised of variable–rate financial assets and liabilities that reprice as interest rates change, short-term deposits or current assets.

Fair values of financial assets and liabilities (continued)

Favourable and unfavourable changes are determined on the basis of changes in the value of the financial asset or liability as a result of varying the levels of the unobservable parameter using statistical techniques. When parameters are not amenable to statistical analysis, quantification of uncertainty is judgemental. When the fair value of a financial asset or liability is affected by more than one unobservable assumption, the figures shown reflect the most favourable or most unfavourable change from varying the assumptions individually. In respect of private equity investments, the valuations are assessed on an asset-by-asset basis using a valuation methodology appropriate to the specific investment, in line with industry guidelines. In many of the methodologies, the principal assumption is the valuation multiple to be applied to the main financial indicators including, for example, multiples for comparable listed companies and discounts to marketability.

For asset-backed securities whose prices are unobservable, models are used to generate the expected value of the asset, incorporating benchmark information on factors such as prepayment patterns, default rates, loss severities and the historical performance of the underlying assets.

The models used are calibrated by using securities for which external market information is available. For structured notes and other derivatives, principle assumptions concern the future volatility of asset values and the future correlation between asset values. These principle assumptions include credit volatilities and correlations used in the valuation of the structured credit derivatives.

For such unobservable assumptions, estimates are based on available market data, which may include the use of a proxy method to derive a volatility or correlation from comparable assets for which market data is more readily available, and examination of historical levels.

Disclosure of fair values is not required when the carrying amount is a reasonable approximation of fair value, such as short-term trade receivables and payables, or for instruments whose fair value cannot be measured reliably. Therefore, trade and other receivables, trade and other payables, cash and cash equivalents and the current account-related party have not been included in the fair value disclosures of this note.

Investments are included in level 1 as they comprise of a basket of equity investments for which there are quoted market prices for all equity shares. These shares are traded in an active market and are thus fully observable.

19. Related parties

Related party transactions

The company takes care to avoid conflicts of interest and, accordingly, has adopted a policy requiring declarations of interest — actual or potential - by members of its Board, senior management and other permanent staff. In terms of this policy, transactions with third parties in which a Board or staff member has a direct or fiduciary interest are required to be disclosed and, consequently, must be entered at arm's length and be in accordance with approved procurement policy. During the year under review and subsequently, no transactions were identified with third parties controlled by one or more Board or staff members, other than noted below.

All transactions with the University of KwaZulu-Natal (UKZN) are defined as related party transactions since Prof Blackledge is a director at CAPRISA as well as the Deputy Vice Chancellor of Research at UKZN.

In the current year, CAPRISA also committed R 1 023 446 in rental expenses to UKZN. An amount of R 2 050 700 is owing to UKZN (refer note 10).

20. Directors' remuneration

	2015 R	2014 R
Prof SS Abdool Karim		
- Allowances	**1,199,960**	780,469
Dr Carl Montague		
- Salary	**815,618**	-
- Bonuses	**238,068**	-
- Allowances	**172,326**	-
	1,226,012	-
Dr Nesri Padayatchi		
- Salary	**815,618**	-
- Bonuses	**379,791**	-
- Allowances	**337,223**	-
	1,532,632	-
Total directors' remuneration	**3,958,604**	780,469

DETAILED INCOME STATEMENT, OPERATING EXPENSES AND SUPPORT GRANTED
for the year ended 31 December 2015

	2015 R	2014 R
Income		
Grants received	**180 142 248**	137 304 578
Interest and forex gain	**5 679 434**	4 576 795
Sundry income	**1 392 555**	482 841
Profit on sale of asset	**254 236**	267 020
	187 468 473	142 631 234
***Expenses**	**164 825 816**	131 098 491
Audit fees	**873 823**	449 151
Chemicals and gases	**-**	411 593
Computer supplies	**1 984 243**	581 870
Depreciation	**2 600 404**	4 804 443
Directors remuneration	**3 958 604**	780 469
Electricity	**139 266**	133 545
Fellowships	**3 721 714**	1 629 562
Fuel	**523 970**	-
Increase/(Decrease) in leave pay provision	**194 435**	(373 415)
Indirect cost allocation to UKZN	**-**	3 975
Insurance	**642 492**	682 680
Investment Management Fee	**129 646**	-
Impairment loss on investment	**162 596**	-
Laboratory costs	**16 587 707**	16 235 859
Legal and other professional fees	**1 860 234**	1 638 445
Loss on sale of shares	**436 375**	-
Meeting costs	**2 753 422**	2 176 194
Participant refreshments	**272 271**	271 129
Participant reimbursements	**1 459 386**	1 528 130
Recruitment costs	**49 814**	35 891
Rental – buildings	**1 052 884**	1 034 574
Rental – office equipment	**325 177**	402 601
Repairs and maintenance	**2 896 189**	2 987 150
Salaries	**76 449 668**	69 711 310
Security	**593 169**	568 754
Stationery and printing	**2 396 018**	1 033 909
Subcontract costs	**23 522 710**	11 932 219
Subscriptions	**1 054 329**	516 754
Sundry expenses	**3 339 895**	2 677 854
Telephone, postage and courier	**1 876 219**	1 720 209
Toxic waste disposal	**117 895**	131 875
Training and development	**2 611 841**	1 609 948
Travel	**10 239 420**	5 781 813
Net surplus for the year	**22 642 658**	11 532 743

*Indirect costs are included in the individual line items above.
The supplementary information presented on this page does not form part of the financial statements and is unaudited.