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 2016

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) JM Blackledge (University of KwaZulu-Natal) – resigned 3 June 2016 Prof SA Madhi (National Institute of Communicable Diseases) Prof DP Visser (University of Cape Town) Prof SS Abdool Karim (Director: CAPRISA) Justice MZ Yacoob Dr K Naidoo – appointed 31 August 2016 Ms N Padayatchi Mr C Montague – resigned 11 October 2016 Ms Q Abdool Karim Prof LE Mazwai Ms B Ntuli – appointed 5 February 2016 Mr M Rajab
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 Bank Limited The Standard Bank of South Africa 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 Chief Financial Officer N Amla CA (SA).

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2016

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2017 and, in light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The company's external auditors have examined the annual financial statements and their report is presented on page 4.

The annual financial statements and additional schedules set out on pages 6 to 29, which have been prepared on the going concern basis, were approved by the board on 11 May 2017 and is signed on its behalf by:

Professor SS Abdool Karim

Independent auditor's report

To the Board of directors of Centre for the Aids Programme of Research in South Africa NPC

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for the Aids Programme of Research in South Africa (the Company) as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Centre for the Aids Programme of Research in South Africa NPC financial statements set out on pages 6 to 29 comprise:

- the statement of financial position as at 31 December 2016;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

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Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa and the detailed income statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: B Soorajdin

Registered Auditor

Block C
21 Cascades Crescent
Cascades
Pietermaritzburg
3201

26 May 2017

REPORT OF THE DIRECTORS
for the year ended 31 December 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 are detailed in the annexed statement of comprehensive income.

PROPERTY, PLANT AND EQUIPMENT

Additions to property, plant and equipment for the year amounted to R 13 388 690 (2015: R 6 019 872).

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 requirements.

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 2016

	Notes	2016 R	2015 R
Revenue		**218 279 509**	180 142 248
Operating expenses	2	**(219 079 613)**	(164 825 815)
Operating (deficit)/surplus for the year	2	**(800 104)**	15 316 433
Other income	4	**2 749 670**	3 887 173
Finance income	3	**3 962 262**	3 439 052
Total surplus and comprehensive income for the year		**5 911 828**	22 642 658
Transferred to sustainability reserve		**(76 165)**	(6 924 741)
Increase in accumulated funds balance		**5 835 663**	15 717 917

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 2016

	Notes	2016 R	2015 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	**26 009 811**	17 947 104
Current assets			
Financial assets – Investments	8	**21 445 442**	24 636 783
Trade and other receivables	6	**32 437 498**	32 478 045
Current account- related party	10	**5 882 653**	-
Cash and cash equivalents	7	**86 842 462**	44 698 179
		146 608 055	101 813 007
TOTAL ASSETS		**172 617 866**	119 760 111
EQUITY AND LIABILITIES			
Funds		**68 581 319**	62 669 491
Accumulated funds	16	**61 580 413**	55 744 750
Sustainability reserve	16	**7 000 906**	6 924 741
Non-Current liabilities			
Trade and other payables	9	**4 727 269**	-
Current liabilities			
Trade and other payables	9	**15 935 322**	13 380 061
Current account- related party	10	**-**	2 050 700
Deferred Income	11	**83 373 956**	41 659 859
TOTAL LIABILITIES		**104 036 547**	57 090 620
TOTAL EQUITY AND LIABILITIES		**172 617 866**	119 760 111

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2016

	Sustainability Reserve R	Accumulated Funds R	Total R
Balance at January 1, 2015	-	**40 026 833**	**40 026 833**
Total surplus and comprehensive income 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**
Total surplus and comprehensive income for the year	-	5 911 828	5 911 828
Transfer to sustainability reserve	76 165	(76 165)	-
Balance at December 31, 2016	**7 000 906**	**61 580 413**	**68 581 319**
Note	16	16	

STATEMENT OF CASH FLOWS
for the year ended 31 December 2016

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash generated by operations	15	**15 777 691**	12 704 977
Finance income		**3 962 262**	3 439 052
Net cash inflow from operating activities		**19 739 953**	16 144 029
Cash flows from investing activities			
Proceeds on sale of assets		**682 367**	318 239
Acquisition of property, plant and equipment		**(13 388 690)**	(6 019 872)
Dividend income		**487 979**	168 111
Net sale/(purchase) of financial assets-investment in shares		**1 358 453**	(24 799 379)
Net cash outflow from investing activities		**(10 859 891)**	(30 332 901)
Cash flows from financing activities			
Increase/(decrease) in deferred income liability		**41 714 097**	(3 823 278)
(Decrease)/increase in current account-related party		**(7 933 353)**	6 761 792
Net cash inflow from financing activities		**33 780 744**	2 938 514
Net increase/(decrease) in cash and cash equivalents		**42 660 806**	(11 250 358)
Cash and cash equivalents at beginning of year		**44 698 179**	53 708 155
Foreign exchange (loss)/gain		**(516 523)**	2 240 382
Cash and cash equivalents at end of year	7	**86 842 462**	44 698 179

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.

Long service award accrual

The company has a policy of issuing employees with long service awards. The entity has thus calculated the total value of the amounts to be paid out to employees, this involved estimation regarding retirement age, attrition rate of employees, cost of awards and inflation. Management has used their judgement and historical data in determining the amount to be accrued.

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

Finance income is recognised as the interest accrues to the company.

Dividend income

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

Other income

The company generates incidental income through non-core activities. The company recognises this income as other income when the 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 prior year, the useful lives of laboratory equipment was changed from 5 years to 10 years.

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 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.

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

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)

The IASB has updated IFRS 9, 'Financial instruments' to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, 'Financial instruments: Recognition and measurement', without change, except for financial liabilities that are designated at fair value through profit or loss. The entity does not have financial liabilities designated at fair value through profit or loss, therefore the changes in this standard will not have a significant effect.

- IFRS 15, *Revenue from contracts with customers* (1 January 2018)

Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of good or service transfers to a customer. This will have an impact on the entity however the full effect of the amended standard is currently under review by the entity.

- Amendment to IAS7 – *Cash flow statements* (1 January 2017)

The International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The above new standards and amendments are not expected to have a significant impact to the current accounting treatment as the entity does not have loan financing.

- 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. This will impact the entity as the entity will be required to capitalise the lease it has in place over its premises.

1.12 Standards and amendments effective for the current year

- Amendment to IAS19 – *Employee benefits*

The scope amendments to IAS19 results in e*mployee benefits* applying 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.

- Amendments to IAS 1,'Presentation of financial statements' disclosure initiative

The IASB issued amendments to clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The entity has applied the guidance in this amendment particularly in ensuring that the structure of the annual financial statements is appropriate, and that materiality is applied to ensure information that is not needed has not been disclosed.

- Amendment to IAS 16,'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortisation

The IASB has provided clarification on the appropriateness of using revenue to calculate depreciation. The entity does not use revenue to calculate depreciation and hence the amendments are not applicable to the entity.

	2016 R	2015 R

2. Operating (deficit)/surplus for the year

Operating (deficit)/surplus for the year is arrived at after taking into account the following items:

	2016 R	2015 R
Salaries	**88 573 269**	76 449 668
Directors remuneration	**4 759 944**	3 958 604
Auditors' remuneration		
- External and donor audit	**1 272 126**	873 823
Legal and other professional fees	**3 300 871**	1 860 234
Repairs and maintenance	**4 295 265**	2 896 189
Depreciation	**5 325 983**	2 600 404
Operating lease costs- office equipment	**100 882**	325 177
Operating lease costs- buildings	**1 093 064**	1 052 884

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:

	2016 R	2015 R
Clinical Trials Unit	**2 924 550**	2 338 089
Magee Women's Research Institute	**497 575**	1 339 543
CAP008 – CONRAD	**-**	3 335 340
Other	**10 244 876**	2 817 781
Total indirect costs	**13 667 001**	9 830 753

Summary of indirect costs

	2016 R	2015 R
CAPRISA administration and finance related expenses	**13 667 001**	9 830 753
Total indirect costs	**13 667 001**	9 830 753

3. Finance income

	2016 R	2015 R
Interest received - bank	**3 962 262**	3 439 052

4. Other income

	2016 R	2015 R
Profit on sale of asset	**682 367**	254 236
Sundry income	**1 579 324**	1 224 444
Foreign exchange gain	**-**	2 240 382
Dividend income	**487 979**	168 111
	2 749 670	3 887 173

5. Property, plant and equipment

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2016				
Beginning 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**
Movements during the year				
- Additions	1 380 975	3 541 867	8 465 848	13 388 690
- Disposals	-	-	-	-
- Cost	-	(1 102 857)	(5 067 727)	(6 170 584)
- Accumulated depreciation	-	1 102 857	5 067 727	6 170 584
Depreciation	(1 028 396)	(1 327 196)	(2 970 391)	(5 325 983)
Balance at end of year	**3 978 000**	**5 580 779**	**16 451 032**	**26 009 811**
Made up at end of year				
- Cost	15 188 492	7 978 158	28 074 459	54 241 109
- Accumulated depreciation	(11 210 492)	(2 397 379)	(11 623 427)	(25 231 298)
Net book value	**3 978 000**	**5 580 779**	**16 451 032**	**26 009 811**

Laboratory equipment has been included in the above disclosure under the “Furniture and equipment” category of property, plant and equipment.

5. Property, plant and equipment (continued)

	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**

	2016 R	2015 R

6. Trade and other receivables

	2016 R	2015 R
Donor reimbursement receivable	**24 225 592**	30 349 258
VAT receivable	**5 254 968**	1 395 562
Prepaid expenses	**2 956 938**	733 225
	32 437 498	32 478 045

It should be noted that the entity considers trade and other receivables to be fully recoverable. A provision for doubtful debts is not required.

7. Cash and cash equivalents

	2016 R	2015 R
Cash in bank	**86 694 262**	44 583 992
Cash on hand	**148 200**	114 187
	86 842 462	44 698 179

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 80 000
Credit Cards – R 820 000

	2016 R	2015 R
Restricted cash included within the above balance	**85 395 721**	41 659 859

8. Financial assets

	2016 R	2015 R
Available for sale investments – listed shares	**21 445 442**	24 636 783

An impairment loss of R 1 832 888 was recognised in profit/loss in the current year due to a decline in quoted prices. (2015: 162 596). A portion of the investment is unrealised as the investments are predominantly in equity instruments which are subject to fluctuations in value. Refer to note 17 for information regarding the fair value measurement of the investment.

9. Trade and other payables

	2016 R	2015 R
Trade payables	**12 988 903**	11 170 092
Accruals	**209 000**	209 000
Leave pay accrual	**2 072 419**	2 000 969
Long service award accrual (Current)	**665 000**	-
	15 935 332	13 380 061
Long service award accrual (Non-Current)	**4 727 269**	-
	20 662 591	13 380 061

The entity considers an amount of 4,727,269 of the long service award accrual to be non-current, the remaining portion of 665,000 is considered to be a current liability.

10. Amount owing by/ (to) UKZN

Amount owing by UKZN	**5 882 653**	-
Amount owing (to) UKZN	**-**	(2 050 700)
	5 882 653	(2 050 700)

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
2016	**41 659 859**	**128 211 405**	**(86 497 308)**	**83 373 956**
2015	45 483 137	27 358 313	(31 181 591)	41 659 859

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 companys' exposure to bad debts is not significant.

13.1 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.

13.2 Classification of financial instruments

	Loans and receivables 2016 R	Loans and receivables 2015 R
Current assets		
Trade and other receivables	**32 437 498**	32 478 045
Cash and cash equivalents	**86 842 462**	44 698 179
Current account- related party	**5 882 653**	-
Total	**125 162 613**	77 176 224

	Financial liability at amortised cost 2016 R	Financial liability at amortised cost 2015 R
Current liabilities		
Trade and accruals	**13 197 903**	11 379 092
Current account- related party	**-**	2 050 700
Deferred income	**83 373 956**	41 659 859
Total	**96 571 859**	55 089 651

	Available for Sale 2016 R	Available for Sale 2015 R
Financial assets – Investment in shares	**21 445 442**	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.

14. Financial risk management (continued)

Market risk

The company activities are exposed primarily to foreign exchange, price risk on it’s investment in shares and cash flow interest rate risk. 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. These risks are actively monitored on a continuous basis and managed, refer to the sections below for information on how these risks are managed.

Exchange rate risk

Foreign currency transactions constitute a risk, especially as all foreign grants are denominated in United States Dollars or Euros, 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 or Euro denominated bank account and converting it to Rands when the exchange rate is favourable.

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 10% weakening of the Rand against the US Dollar would have increased or decreased the surplus/deficit by R 429 886 (2015:188 364). A 10% weakening of the Rand against the Euro would have increased or decreased the surplus/deficit by R 3 303 845 (2015: Nil). The calculations below are performed under the assumption that all other variables remain constant.

	2016 R	2015 R
Foreign Denominated balances:		
ABSA USD CFC Account balance:	313 099	121 447
Exchange rate at year end	13.73	15.51
10% change in exchange rate	1.37	1.55
Impact on total comprehensive surplus	429 886	188 364
ABSA EURO CFC Account balance:	2 286 398	-
Exchange rate at year end	14.46	16.85
10% change in exchange rate	1.45	1.69
Impact on total comprehensive surplus	3 303 845	-

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

	2016 **R**	**2015** **R**
Cash flow interest rate risk exposures and sensitivities		
Total debt	**20 662 591**	13 380 061
Less: Cash and cash equivalents and financial assets	**(86 842 462)**	(44 698 179)
Net variable rate exposure	**(66 179 781)**	(31 318 118)
Interest income per statement of comprehensive income	**3 962 262**	3 439 052
Net variable rate exposure	**66 179 781**	31 318 118
Effective rate	**5.99%**	10.98%
Therefore a 1% movement would impact the statement of comprehensive income by	**661 799**	313 181

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

	2016 R	2015 R
Equity investments as per the statement of financial position	**21 445 442**	24 636 783
Therefore a 1% movement would result in an increase/decrease in value of	**21 445**	24 637

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 on contractual funding. This risk is controlled through ensuring that excessive expenditure on any grant is delayed until the grant funding is received. The entity also receives the bulk of its funding from reliable institutions. 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.

	2016 R	2015 R
Exposure to credit risk		
Trade and other receivables	**32 437 498**	32 478 045
Cash and cash equivalents	**86 842 462**	44 698 179
Current account- related party	**5 882 653**	-
Financial assets - Investments	**21 445 442**	24 636 783
	146 608 055	101 813 007

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. The company manages its current ratio to ensure that it has adequate resources to cover its liabilities. The entity also manages spending in line with its grant income and cash inflows, and utilises budgets to assist with this process.

Liquidity risk (continued)

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

	Between 1 – 3 months R	< 1 year R	> 1 year R	Total R
2016				
Financial assets				
Trade and other receivables	**32 437 498**	**-**	**-**	**32 437 498**
Cash and cash equivalents	**86 842 462**	**-**	**-**	**86 842 462**
Current account- related party	**-**	**5 882 653**	**-**	**5 882 653**
Financial assets - Investments	**-**	**21 445 442**	**-**	**21 445 442**
Financial liabilities				
Deferred grant income	**-**	**83 373 956**	**-**	**83 373 956**
Trade and other payables	**12 988 903**	**2 946 419**	**4 727 269**	**20 662 591**
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
Current account- related party	2 050 700	-	-	2 050 700
Trade and other payables	11 379 092	2 000 969	-	13 380 061

15. Cash generated from operations

	2016 R	2015 R
Total comprehensive surplus	**5 911 828**	22 642 658
Adjusted for non-cash items:		
Impairment loss on investment in shares	**1 832 888**	162 596
Profit on sale of asset	**(682 367)**	(254 236)
Depreciation (net of change in estimate)	**5 325 983**	2 600 404
	12 388 332	25 151 422
Adjusted for separately distributable		
- Finance income	**(3 962 262)**	(3 439 052)
- Foreign exchange loss/(gain)	**516 523**	(2 240 382)
- Dividend income	**(487 979)**	(168 111)
Changes in working capital		
Decrease/(increase) in receivables	**40 547**	(12 265 941)
Increase in payables	**7 282 530**	5 667 041
Cash generated from operations	**15 777 691**	12 704 977

16. Sustainability Reserve and Accumulated funds

During the previous 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. The movement in the current year is
R 76 165 (2015: 6 924 741).

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

17. Fair values of financial assets and liabilities

	Level 1 R	Level 2 R	Total R
At 31 December 2016			
Financial assets measured at fair value			
- Financial assets - investments	21 445 442	-	21 445 442
Total financial assets measured at fair value	21 445 442	-	21 445 442
At 31 December 2015			
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

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. The entity's investment is predominantly on shares listed and other instruments trade on the stock exchange, as a result fair values are readily available for these instruments.
- 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.

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.

Fair values of financial assets and liabilities (continued)

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.

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.

18. 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 was 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 5 882 653 is owing from UKZN (refer note 10).

19. Directors' remuneration

	2016 R	2015 R
Prof SS Abdool Karim		
- Salary	**749 392**	-
- Allowances	**1 392 152**	1 199 960
	2 141 544	1 199 960
Carl Montague		
- Salary	**577 550**	815 618
- Bonuses	**62 487**	238 068
- Allowances	**120 556**	172 326
	760 593	1 226 012
Nesri Padayatchi		
- Salary	**881 342**	815 618
- Bonuses	**192 357**	379 791
- Allowances	**304 352**	337 223
	1 378 051	1,532 632
Kogieleum Naidoo		
- Salary	**293 332**	-
- Bonuses	**106 333**	-
- Allowances	**80 091**	-
	479 756	-
Total directors' remuneration	**4 759 944**	3 958 604

20. Events subsequent to year end

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

21. 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 requirements.

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

DETAILED INCOME STATEMENT, OPERATING EXPENSES AND SUPPORT GRANTED
for the year ended 31 December 2016

	2016 R	2015 R
Income		
Grants received	**218 279 509**	180 142 248
Interest	**3 962 262**	3 439 052
Sundry income	**2 749 670**	3 887 173
	224 991 441	187 468 473
***Expenses**	**219 079 613**	164 825 815
Audit fees	**1 352 463**	873 823
Chemicals and gases	**851 714**	-
Computer supplies	**4 143 668**	1 984 243
Depreciation	**5 325 983**	2 600 404
Directors remuneration	**4 759 944**	3 958 604
Electricity	**177 413**	139 266
Fellowships	**5 941 971**	3 721 714
Forex loss	**516 523**	-
Fuel	**-**	523 970
Increase/(Decrease) in leave pay accrual	**71 450**	194 435
Increase/(Decrease) in long service accrual	**5 392 269**	-
Insurance	**860 957**	642 492
Investment management fee	**301 083**	129 646
Impairment loss on investment	**1 832 888**	162 596
Laboratory costs	**20 223 561**	16 587 707
Legal and other professional fees	**3 959 507**	1 860 234
Loss on sale of shares	**-**	436 375
Meeting costs	**2 864 243**	2 753 422
Participant refreshments	**525 950**	272 271
Participant reimbursements	**1 310 480**	1 459 386
Recruitment costs	**397 522**	49 814
Rental – buildings	**1 093 064**	1 052 884
Rental – office equipment	**100 882**	325 177
Repairs and maintenance	**4 487 508**	2 896 189
Salaries	**88 573 269**	76 449 668
Security	**892 720**	593 169
Stationery and printing	**2 901 227**	2 396 018
Subcontract costs	**36 880 866**	23 522 710
Subscriptions	**617 413**	1 054 329
Sundry expenses	**7 603 517**	3 339 895
Telephone, postage and courier	**2 924 965**	1 876 219
Toxic waste disposal	**169 237**	117 894
Training and development	**3 429 182**	2 611 841
Travel	**8 596 174**	10 239 420
Net surplus for the year	**5 911 828**	22 642 658

*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.