

**European and Developing Countries
Clinical Trials Partnership
(EDCTP-EEIG)**

Financial Statements
for the year ended 31 December 2013

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General Information for the year ended 31 December 2013

General Assembly:	Prof. Hannah Akuffo (Chair) Dr Joachim Klein Dr Marja Esveld (Vice-Chair) Dr Mark Palmer (Vice-Chair) Dr Christiane Druml Prof. Bruno Gryseels Dr Soren Jepsen replaced during the year by Dr Mikkel Lyndrup Prof. Patrice Debré Prof. Evangelia Ntzani Dr Teresa Maguire replaced during the year by Mr Patrick Empey Prof. Stefano Vella Dr Carlo Duprel Dr Marit Endresen replaced during the year by Dr J. Sigurd Røtnes Dr Paula Elyseu Mesquita replaced during the year by Dr Ricardo Pereira Dr Rafael de Andrés Medina Dr Isabella Beretta
Directors:	Prof. Charles Mgone, Executive Director Mr Abdoulie Barry, Director of Finance and Administration Dr Michael Makanga, Director South-South Cooperation and Head of Africa Office Dr Ole Olesen, Director of Operations and North-North Cooperation
Registered offices:	EDCTP The Hague office Anna van Saksenlaan 51 The Hague, The Netherlands EDCTP Cape Town Office, Francie van Zijl Drive Parowvallei, Cape Town, South Africa
Auditors:	KPMG Accountants N.V.

Statement of comprehensive income for the year ended 31 December 2013

Expressed in thousands ('000) of euro

	Note	Restricted EC 2013	Restricted Donor 2013	Total 2013	Total 2012
INCOME					
Contributions	7	14,922	26,690	41,612	34,174
Finance income	8	147	156	303	631
Total income		15,069	26,846	41,915	34,805
EXPENDITURE					
Grants expenditure	9	(7,943)	(25,203)	(33,146)	(32,897)
Other expenditure	10	(6,427)	(364)	(6,791)	(3,656)
Governance expenditure	12	(152)	(115)	(267)	(302)
Total expenditure		(14,522)	(25,682)	(40,204)	(36,855)
Total comprehensive income for the year		547	1,164	1,711	(2,050)

All income and expenditure relates to continuing activities.

	2013 €'000	2012 €'000
Result attributable to:		
EC	547	(32)
Donor	1,164	(2,018)
	1,711	(2,050)

The notes on pages 5 to 17 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2013

Expressed in thousands ('000) of euro

	Note	31 December 2013	31 December 2012
Non-current assets			
Property, Plant & Equipment		-	-
Debtors	13	-	-
Total non-current assets		-	-
Current assets			
Debtors and other receivables	13	10,086	16,663
Cash and cash equivalents	14	18,914	28,919
Total current assets		29,000	45,582
Total assets		29,000	45,582
Equity			
Restricted reserve: EC	15	308	(239)
Restricted reserve: Donors	16	3,063	1,899
Total equity		3,371	1,660
Non-current liabilities			
Grant payables	17	3,819	13,599
Total non-current liabilities		3,819	13,599
Current liabilities			
Grant payables	17	18,590	29,995
Other payables	18	3,220	328
Total current liabilities		21,810	30,323
Total equity and liabilities		29,000	45,582

The financial statements were approved by the Executive Secretariat on behalf of General Assembly by:

Professor Charles Mgone

Dated 6 May 2014

The notes on pages 5 to 17 form an integral part of these financial statements.

Statement of Changes in Equity

Expressed in thousands ('000) of euro

	Restricted reserve: EC	Restricted reserve: Donor	Total
Balance as at 31 December 2012	(239)	1,899	1,660
Total comprehensive income for the year	547	1,164	1,711
Balance as at 31 December 2013	308	3,063	3,371

EDCTP has no unrestricted reserves.

The notes on pages 5 to 17 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2013

Expressed in thousands ('000) of euro

	Note	2013	2012
Cash flows from operating activities			
Result for the year		1,711	(2,050)
Adjustment for:			
Finance income		(303)	(631)
Non-cash income		(2,416)	-
(Increase) decrease in debtors and other receivables	13	6,382	11,967
Increase (decrease) in grant and other payables		(18,693)	(19,544)
		<u>(13,319)</u>	<u>(10,258)</u>
Cash flows from investing activities			
Interest received	8	499	761
		<u>499</u>	<u>761</u>
Net increase (decrease) in cash and cash equivalents			
		<u>(12,820)</u>	<u>(9,497)</u>
Cash and cash equivalents at 1 January		31,734	38,416
Exchange rate effects	8	-	-
		<u>18,914</u>	<u>28,919</u>
Cash and cash equivalents at 31 December	14	18,914	28,919

The notes on pages 5 to 17 form an integral part of these financial statements.

Notes to the financial statements

(All amounts expressed in thousands (000) of euro unless otherwise stated)

1. General information

The European and Developing Countries Clinical Trials Partnership (EDCTP) is a non-profit making organisation domiciled in The Netherlands that aims to accelerate the development of new or improved drugs, vaccines, microbicides and diagnostics against HIV/AIDS, tuberculosis and malaria, with a focus on phase II and III clinical trials in sub-Saharan Africa. The address of the organisations' registered office is Anna van Saksenlaan 51, The Hague, The Netherlands.

EDCTP was formed by a European Parliament and European Council decision in order to pool resources, funding and activities to achieve a greater impact against the three poverty-related diseases. It combined political will and defined health priorities of both the developing and developed world. EDCTP is co-funded by the European Commission and European Member States under Article 185 (ex Article 169) of the EU Treaty to promote a more integrated approach to health research among European countries.

EDCTP was set up under the European Commission's Sixth Framework Programme (FP6) for research and technological development, the European Union's main instrument for funding research in Europe. The current EDCTP programme will end in May 2015. It is anticipated that the second programme, EDCTP2, under Horizon 2020, the EU Framework Programme for Research and Innovation (2014 to 2020) will start in July 2014.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issue by the EEIG General Assembly on 6 May 2014.

(b) Going concern

EDCTP-EEIG decided in November 2013 to establish the EDCTP2-Implementations Structure (hereafter: EDCTP2-IS) as an Association (under Dutch law) in the Netherlands, and to formally dissolve the EDCTP-EEIG as soon as the EDCTP 1 programme (and all grants provided hereunder) is formally concluded with the final reports accepted by the Commission (this is expected to happen in the second half of 2015). The internal management rules, procedures and policies developed under EDCTP 1 and applied by the EDCTP-EEIG legal entity will be taken up for the implementation of EDCTP2 by the EDCTP2-IS, and largely remain the same. The EC's decision to support EDCTP2 was approved by the European Parliament on 15 April 2014; and final approval by the European Council is expected in May 2014. Current indications are that the Delegation Agreement is likely to be signed in the second half of 2014. The second EDCTP programme (EDCTP2) is expected to run up to 2023.

(c) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(d) Functional and presentation currency

These financial statements are presented in euro, which is the organisation's functional currency. All financial information presented in euro has been rounded to the nearest thousand except when otherwise indicated.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the notes to the financial statements (mainly notes 7 and 9).

3. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements unless otherwise stated.

(a) Changes in accounting policy

No accounting policies have been changed during the year.

(b) Foreign currency transactions

EDCTP conducts its operations in Euro, which is also the currency in which the financial statements are presented. EDCTP does not hold any non-Euro bank accounts. All grants are signed in Euro and the vast majority of all operating expenses are in Euro.

Transactions in foreign currencies are translated into Euro at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

(c) Non-derivative Financial instruments

Non-derivative financial assets

Non-derivative financial assets comprise cash and cash equivalents, debtors and other receivables.

EDCTP initially recognises debtors and other receivables on the date that they are originated.

EDCTP derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by EDCTP is recognised as a separate asset or liability.

Debtors and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, debtors and other

receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents comprise cash balances and deposits which are repayable on demand. Cash and cash equivalents that can only be useful for a specific purpose are considered restricted.

Non-derivative financial liabilities

Non-derivative financial liabilities comprise grants and other payables.

All financial liabilities are recognised initially on the trade date, which is the date that EDCTP becomes a party to the contractual provisions of the instrument.

EDCTP derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, EDCTP has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(d) Impairment

The carrying values of the EDCTP's assets are reviewed at each statement of financial position date to determine whether there is objective evidence that it is impaired. If any such indication exists, the asset's recoverable amount is estimated. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy.

An impairment loss is recognized whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

(e) Property, Plant and Equipment (PP&E)

Items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of PP&E is recognized as an asset if it is probable that future economic benefits or service potential associated with the item will flow to EDCTP.

EDCTP applies thresholds when considering whether to capitalise PP&E additions. PP&E is recognised as an asset if it has a cost a fair value of €5,000 or more per unit.

Tangible fixed assets are depreciated on a straight line basis over their useful economic lives as set out below:

Computer equipment	3 years
Racking	2 years

(f) Reserves

Unrestricted reserves are not subject to any legal or third party restriction and can be used as EDCTP sees fit. Unrestricted reserves may be designated by EDCTP for specific purposes to meet future obligations or mitigate specific risks.

Restricted reserves represent the cumulative excess of income, from earmarked contributions, over expenditures on stipulated EDCTP operations. Restricted reserves include the following:

Funds held for EDCTP operations: EC or Donor

Contributions pledged to, or received by EDCTP are earmarked to the extent that EC or donors stipulated that the funds are to be used on EDCTP operations. The cumulative excess of earmarked contributions over stipulated EDCTP operations expenditure is recorded as funds held for EDCTP operations (EC or donors) within restricted reserves. In the event that the funds cannot be spent, EDCTP obtains agreement from the EC or donors for reallocations of those funds for a different use, or reimburses them to the donor, in which case they are recognised as a liability until the effective repayment takes place.

(g) Contributions

Contributions comprise cash or in kind co-funding from European Commission and donors to EDCTP or directly to grantees.

Cash contributions are recognised when a confirmed written pledge has been received from the donor.

In-kind contributions of goods and services and contributions directly by donors to the grantees are recognised on the date of receipt of the goods or services or on the date of contributions directly to the grantees, and are reported as equal contributions and expenses in the Statement of Comprehensive Income. In kind goods and services received and contributions directly to the grantee are measured at fair value.

The fair value of in-kind goods and services are taken as the donor indication of the value (annual signed certificates). This value is tested for reasonableness and adjusted accordingly, by comparing it to the cost that would be incurred by EDCTP, if it were to buy similar goods, in the open market, for the same intended use or if it would directly employ a person in a similar position.

For contributions directly by donor to grantee the donor provides EDCTP with a signed corroborating letter stating the amount of the contributions provided to the grantee institution.

Unrestricted contributions can be used for any purpose to further the objective of the organisation, and are recognised in the Statement of Comprehensive Income as unrestricted income when pledged. At the end of the accounting period, unspent and unrestricted contributions are included in unrestricted reserves.

Restricted contributions can be stipulated by donors for use. Such restricted contributions are fully under the control of EDCTP, and are recognised in the Statement of Comprehensive Income, when pledged. At the end of the accounting period, unspent restricted contributions are included in restricted reserves.

Restricted contributions from EC are recognised at the time of awarding the grant to other organisations.

(h) Expenditure

Grants to other organisations

The full amounts of all grants awarded by EDCTP are charged to the statement of comprehensive income in the year in which the grant contract is signed.

Other expenditure (excluding employee benefits)

Governance and other costs are inclusive of any VAT which cannot be recovered and is recognised when there is a legal or constructive obligations to pay for the expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the Statement of Comprehensive Income.

(i) Employee benefits

EDCTP does not contribute into a defined benefit scheme for its employees.

For employees seconded from hosting institutions, who are members of a defined benefit scheme, the liabilities are the responsibility of the hosting institutions. Therefore there is no need for EDCTP to account for these obligations.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the statement of comprehensive income in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the services are discounted to their present value.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(j) Leases

Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(k) Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions. The opening balance of cash and cash equivalents at 1 January 2013 in the Statement of Cash Flows is adjusted for EUR 2,815 due to the including of the EDCTP Plus cash and cash equivalents as of 1 January 2013.

4. New Accounting Standards

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2013 have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the EDCTP.

5. Fair values

A number of EDCTP's accounting policies and disclosures require the determination of fair value. Fair values have been determined for disclosure purposes. Although the IFRS requires the fair value of debtors, other receivables (excluding prepayments), grant and other payables be estimated using the present value of future cash

flows, discounted at the market rate of interest at the reporting date. However EDCTP takes the carrying value of these items as good estimates of their fair value.

When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

6. Operating segments

EDCTP operates through two Secretariat offices - The Netherlands and South Africa- which support each other. The operations and activities of the two offices are the same: to provide grants advertised by open call to foster capacity building and new clinical interventions into the three main poverty related diseases afflicting sub Saharan Africa. The two Secretariats operate in a combined and uniform manner. In the opinion of management, the organisation operates in a single operating segment.

7. Contributions

	2013 EC	2013 Donors	2013 Total	2012 Total
Expressed in thousands ('000) of euro				
Cash contributions to EDCTP				
EC for period 11 of the grant agreement	11,537	-	11,537	7,582
Member state & 3 rd party re grant contributions	-	744	744	682
Member state & 3 rd party re other expenditure	-	244	244	119
Member state & 3 rd party re governance	-	-	-	-
Total cash contributions	11,537	988	12,525	8,383
In kind & direct contributions				
Member state & 3 rd party re grant contributions	-	25,477	25,477	25,504
Member state & 3 rd party re programme activities	-	86	86	188
Member state & 3 rd party re support activities	-	28	28	27
Member state & 3 rd party re governance	-	111	111	72
Total in kind and direct contributions	-	25,702	25,702	25,791
EDCTP-Plus (cash contributions)	3,385	-	3,385	-
Total contributions	14,922	26,690	41,612	34,174

8. Finance income

Expressed in thousands ('000) of euro

	2013 Restricted: EC	2013 Restricted: Donors	2013 Total	2012 Total
Finance income	147	156	303	631
Total finance income	147	156	303	631

9. Grants expenditure

Expressed in thousands ('000) of euro

	2013 Restricted: EC	2013 Restricted: Donors	2013 Total	2012 Total
Cash cofunding	7,943	(274)	7,669	7,393
In kind & direct cofunding	-	25,477	25,477	25,504
Total grants expenditure	7,943	25,203	33,146	32,897

The cash cofunding for restricted donors in 2013 is negative because several donor funded projects that were closed in 2013 were underspent resulting in the return of these underspent funds to donors. The total of these underspent donor funds exceeded the donor cash funding awarded to the five projects signed in 2013.

10. Other expenditure

Expressed in thousands ('000) of euro

	Note	2013 Restricted EC	2013 Restricted Donors	2013 Total	2012 Total
Personnel expenses	11	2,845	47	2,892	2,530
Travel and subsistence		553	7	560	214
Member states co funded		-	36	36	133
Secretariat costs					
Support costs		287	28	315	287
Other expenses		2,742	246	2,988	492
Total other expenditure		6,427	364	6,791	3,656

Other expenditures are incurred by EDCTP directly in carrying out its programme and comprise all costs except governance and grants expenditure. This includes both direct and indirect support costs. The support costs include costs such as housing costs (rent, service charges and parking), telephone costs, catering and office cleaning.

11. Personnel expenses

Expressed in thousands ('000) of euro

	2013 EC	2013 Donors	2013 Total	2012 Total
Wages and salaries	2,516	47	2,563	2,091
Compulsory social security contributions	137	-	137	173
Contributions to defined contributions plans	192	-	192	266
Total personnel expenses	2,845	47	2,892	2,530

Wages and salaries include staff costs seconded for NWO and MRC.

The average number of full time equivalent employees (including casual and part-time staff) was as follows:

	2013	2012
Secretariat (EDCTP staff)	23.95	20.00
Secretariat (seconded from NWO/MRC & DOH)	3.47	3.00
Total	27.42	23.00

12. Governance expenses

Expressed in thousands ('000) of euro

	2013	2013	2013	2012
	Restricted:	Restricted:	Total	Total
	EC	Donor		
GA	25	113	138	85
PB	10	-	10	63
DCCC	-	-	-	123
SAC	77	-	77	-
Audit fees	40	2	42	31
Total governance expenses	152	115	267	302

These represent the costs attributable to the strategic planning bodies of EDCTP; the General Assembly (GA), the Strategic Advisory Committee (formerly the Partnership Board) and the Developing Countries Coordinating Committee (DCCC). Also included are the costs of generating information required for public accountability such as external audit fees.

13. Debtors and other receivables

Expressed in thousands ('000) of euro

	2013	2012
	Total	Total
EC owed funds	9,323	15,335
Donor owed funds	-	1,043
Others	758	277
Prepayments	5	8
Total debtors and other receivables	10,086	16,663
Non-current	-	-
Current	10,086	16,663
Total debtors and other receivables	10,086	16,663

The organisation's exposure to credit and currency risks, and impairment losses relating to debtors and other receivables, excluding prepayments, is disclosed in note 20.

14. Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand deposits.

Expressed in thousands ('000) of euro	2013	2012
Bank balances	18,893	28,905
Cash in hand	21	14
Total cash and cash equivalents	18,914	28,919

15. Restricted reserve: EC

Expressed in thousands ('000) of euro

	Balance 31 December 2012	Incoming resources	Outgoing resources	Balance 31 December 2013
Restricted reserve: EC	(239)	15,069	(14,522)	308
	(239)	15,069	(14,522)	308

16. Restricted reserve: Donors

Expressed in thousands ('000) of euro

	Balance 31 December 2012	Incoming resources	Outgoing resources	Balance 31 December 2013
Restricted reserve: Donor	1,899	26,846	(25,682)	3,063
	1,899	26,846	(25,682)	3,063

17. Grant payables

EDCTP exposure to currency and liquidity risk related to grant payables and other payables is disclosed in note 20.

18. Other payables

The main reason for the substantial increase in other payables from 2012 to 2013 is due to EDCTP2 funds (€2.4m) received in advance from the UK Medical Research Council UK. EDCTP exposure to currency and liquidity risk related to other payables is disclosed in note 20

19. Taxation

EDCTP is exempt from Dutch corporate income tax under article 40 of the EEC Council regulation adopted in 1985, as clarified in a ruling issued on 1 March 1990 by the Dutch Secretary for Finance. However, EDCTP is liable for wages and social security taxes in The Netherlands.

A special VAT exemption has been granted by the Dutch Ministry of Finance for all invoices which have a gross value in excess of EUR 250. This results in an amount of irrecoverable Dutch VAT every year which is ineligible expenditure under the terms of the EC agreement and is therefore repayable by the members.

EDCTP is also exempt from paying VAT in South Africa following. An application for exemption from income tax in South Africa was made in 2008, which is still pending, although the effect of this will be minimal even if granted as EDCTP has no taxable income or profits in South Africa.

20. Financial instruments

Because of largely the non-trading nature of EDCTP activities and the way it is financed, financial instruments play a limited role in its operating activities.

Risk management is carried out by EDCTP's Management Team under the direction of the Executive Director.

The three major types of financial risks are credit, liquidity and market (currency and interest rate) risks.

Credit risk

Credit risk is the potential financial loss due to default of one or more debtors/obligors either to EDCTP itself or to a grantee whom EDCTP has entered into a contract with. EDCTP has credit risk in the form of receivables from member states and like-minded organizations.

All pledged amounts of cash cofunding to EDCTP are confirmed in writing, by letter or contract, and management judges that there is no risk of non-payment.

The carrying amount of financial assets (note 13) represents the maximum credit exposure.

EDCTP's management considers the risk of non-payment to be low and therefore makes no provision in the accounts.

As at 31 December 2013 the donor debt profile was as shown below:

	€'000
Public sector donor debt	10,086
Private sector donor debt	-
	<hr/>
Total donor debt	10,086
	<hr/> <hr/>

In relation to grants made by EDCTP the grantee is required to submit annual financial reports and if the final financial report shows costs to have been less than the total value of the grant EDCTP contracted for, then the excess will be deducted from the 10% which EDCTP retains until the grant has ended. As at 31 December 2013 no grantee owed EDCTP any returnable funds.

Liquidity risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. EDCTP's net resource requirements are funded by EC or donors. EDCTP evaluates and follows continuously the amount of liquid funds required to meet operational requirements.

EDCTP minimizes this risk by only maintaining instantly accessible bank deposits based on the projected net cash requirement for a rolling one year period.

The following are the contractual maturities of financial assets, including estimated interest payments in thousands of euro:

	Carrying amount	Contractual cash-flows	6 months or less	6-12 months	1-2 years	2-5 years	> 5 years
Non-derivative financial assets							
Debtors	10,086	10,086	10,086	-	-	-	-
Cash and cash equivalents	18,914	18,914	18,914	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	29,000	29,000	29,000	-	-	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Currency risk

Currency risk is the potential loss due to adverse movements in foreign exchange rates. To minimise this risk, EDCTP signs all grants in Euro and receives the vast majority of its income in Euro. Where income is received from donors in other currencies, EDCTP in most cases enters into a fixed exchange rate contract with the donor against the Euro. Where this is not possible, any grants made against it will assume a very conservative future exchange rate to minimise any potential liability to EDCTP arising when it is received and converted into Euro. All foreign currency receipts are translated into Euro as soon as they are received. The situation is monitored regularly to check that such a shortfall does not arise. EDCTP does not hedge any foreign exchange risk as it is deemed unnecessary.

The vast majority of EDCTP operating costs are also in Euro which reduces any risk to minimal in that area.

Any foreign exchange losses incurred by grantees with whom EDCTP have signed a contract, are ineligible for charging back to EDCTP and must be covered by their own financial resources.

EDCTP's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2013			31 December 2012		
	EUR €'000	USD €'000	SEK €'000	EUR €'000	USD €'000	SEK €'000
Debtors	10,086	-	-	16,663	-	-
Current liabilities	(21,810)	-	-	(30,323)	-	-
Non-current liabilities	(3,819)	-	-	(13,599)	-	-
Net exposure	<u>(15,543)</u>	<u>-</u>	<u>-</u>	<u>(27,259)</u>	<u>-</u>	<u>-</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date Spot rate	
	2013	2012	2013	2012
USD	1.3280	1.2858	1.3766	1.3215
ZAR	12.7905	10.5344	14.4363	11.2031
CHF	1.2304	1.2051	1.2256	1.2073
SEK	8.6495	8.7047	8.9225	8.6107

Interest rate risk

Under the terms of the grant agreement with the EC, EDCTP is not allowed to borrow any funding and hence interest rate risk is of no concern, neither does EDCTP charge interest on any of its grants; and EDCTP does not invest cash in money markets. EDCTP has a low level of exposure to interest rate fluctuations, any excess funds are maintained in short term deposit account, as part of its banking arrangement.

At the reporting date the interest rate profile of EDCTP's interest-bearing financial instruments was:

	2013 €'000	2012 €'000
Variable rate instruments		
Financial assets	18,914	28,919
	<u>18,914</u>	<u>28,919</u>

Operational Risk

Operational risks include all aspects of risk-related exposure other than those falling within the scope of credit, market and liquidity risks including specifically the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events and reputational risk.

EDCTP relies largely on internal controls and standard operating procedures for operational risk management. The risk management continued to be monitored regularly and adjusted as necessary by EDCTP management.

21. Conditional asset

The grant agreement signed between the EC and EDCTP stipulates that a total sum of EUR 200 million is receivable by EDCTP over eleven years commencing on the 15 September 2003. The receipt of full amount is contingent on awarding grants payable and members states contributing an equal amount either to EDCTP directly or to EDCTP focused projects.

EDCTP has awarded (€'000) 188,267 as at 31 December 2013 (was 176,575 as at 31 December 2012), resulting in a contingent asset of (€'000) 11,733 (was 23,425 as at 31 December 2012) which has not been recognised in the accounts. The total amount to be received (including EC owed funds) is as a result (€'000) 21,056 (was 38,693 as at 31 December 2012).

In the year of signing the grant, the full value of EC funding in respect of the grant signed is recognised in the accounts of that year, whilst the outstanding balances not received are treated as a debtor.

22. Related parties

The basis of EDCTP is partnership. It unites 14 participating European Union (EU) Member States plus Norway and Switzerland with sub-Saharan African countries. The partnership helps EU Member States to integrate and coordinate their own national research and development programmes and form partnerships with their African counterparts. The member states qualify under IAS 24 as related parties. EDCTP receives income in cash and in-kind from member states. In note 7 EDCTP disclosed the nature and size of the transactions with the member states.

23. EDCTP-Plus

EDCTP received an FP7 Coordination and Support Action (CSA) grant called EDCTP-Plus (Laying the Foundations for EDCTP2) from the European Commission. The EDCTP-Plus has been included in these financial statements. However, in the previous year (year ended 31 December 2012), it was not included because the expenditure was not material then; it was then only shown as a note disclosure in the financial statements of the previous year.

24. Remuneration of governing bodies

The General Assembly (GA) members are not paid any honorariums in respect of attending meetings in 2013. GA members meet the costs associated with the attendance of GA meetings.

The Strategic Advisory Committee (SAC) members are paid honorarium for any attending SAC meetings.

Other information

Independent auditor's report

To: the General Assembly of EDCTP-EEIG

We have audited the accompanying financial statements of EDCTP-EEIG, The Hague, which comprise the statement of financial position as at 31 December 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 Dutch law, including the Dutch Standards on Auditing. This requires 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 judgment, 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 EDCTP-EEIG'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 EDCTP-EEIG'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.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EDCTP-EEIG as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The Hague, 6 May 2014
KPMG Accountants N.V.

C. den Besten RA

Provisions governing the appropriation of result

There are no provisions governing the appropriation of result.

Proposal of appropriation of result

The Assembly will be asked to approve the following appropriation of the 2013 result: an amount of EUR 547,000 to be added to the restricted reserve: EC and an amount of EUR 1,164,000 to be added to the restricted reserve: donor. This proposal has been incorporated into the financial statements.