

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

Annual Financial Statements
for the year ended 31 December 2014

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General Information for the year ended 31 December 2014

General	Dr Mark Palmer (Chairperson)
Assembly:	Prof. Stefano Vella (Vice-chair)
	Dr Detlef Böcking (Vice-chair)
	Dr Christiane Druml
	Prof. Bruno Gryseels
	Mr Mikkel Lyndrup
	Prof. Jean-François Delfraissy
	Dr Joachim Klein
	Dr Evangelia Ntzani
	Mr Patrick Empey
	Dr Carlo Duprel
	Dr Eva Rijkers
	Dr Sigurd Røtnes
	Dr Ricardo Pereira

Dr Rafael De Andrés-Medina
Prof. Hannah Akuffo
Dr Isabella Beretta

Directors: Professor 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 financial performance and other comprehensive income

for the year ended 31 December 2014

Expressed in thousands ('000) of euro

	Note	Restricted EC 2014	Restricted Donor 2014	Total 2014	Total 2013
INCOME					
Contributions	6	6,129	10,337	16,466	41,612
Finance income	7	45	56	101	303
Total income		6,174	10,393	16,567	41,915
EXPENDITURE					
Grants expenditure	8	749	(10,838)	(10,089)	(33,146)
Other expenditure	9	(7,260)	(575)	(7,835)	(6,791)
Governance expenditure	11	(133)	(140)	(273)	(267)
Total expenditure		(6,644)	(11,553)	(18,197)	(40,204)
Result of the year		(470)	(1,160)	(1,630)	1,711

EDCTP-EEIG has no other comprehensive income

All income and expenditure relates to continuing activities.

	2014 €'000	2013 €'000
Result attributable to:		
EC	(470)	547
Donor	(1,160)	1,164
	(1,630)	1,711

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

Statement of Financial Position as at 31 December 2014

(After appropriation of result)

Expressed in thousands ('000) of euro

	Note	31 December 2014	31 December 2013
Non-current assets			
Property, Plant & Equipment		-	-
Debtors	12	-	-
		<hr/>	<hr/>
Total non-current assets		-	-
		<hr/>	<hr/>
Current assets			
Debtors and other receivables	12	1,166	10,086
Cash and cash equivalents	13	19,828	18,914
		<hr/>	<hr/>
Total current assets		20,994	29,000
		<hr/>	<hr/>
Total assets		20,994	29,000
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Restricted reserve: EC	14	(162)	308
Restricted reserve: Donors	15	1,903	3,063
		<hr/>	<hr/>
Total equity		1,741	3,371
		<hr/>	<hr/>
Non-current liabilities			
Grant payables	16	-	3,819
		<hr/>	<hr/>
Total non-current liabilities		-	3,819
		<hr/>	<hr/>
Current liabilities			
Grant payables	16	11,990	18,590
EC Creditors	17	4,640	-
Other payables	18	2,623	3,220
		<hr/>	<hr/>
Total current liabilities		19,253	21,810
		<hr/>	<hr/>
Total equity and liabilities		20,994	29,000
		<hr/> <hr/>	<hr/> <hr/>

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

Statement of Changes in Equity for the year ended 31 December 2014

Expressed in thousands ('000) of euro

	Restricted reserve: EC	Restricted reserve: Donor	Total
Balance as at 31 December 2012	(239)	1,899	1,660
Result of the year 2013	547	1,164	1,711
Balance as at 31 December 2013	308	3,063	3,371
Result of the year 2014	(470)	(1,160)	(1,630)
Balance as at 31 December 2014	(162)	1,903	1,741

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 2014

Expressed in thousands ('000) of euro

	Note	2014	2013
Cash flows from operating activities			
Result for the year		(1,630)	1,711
Adjustment for:			
Finance income	7	(101)	(303)
(Increase) decrease in debtors and other receivables	12	8,913	6,382
Increase (decrease) in grant and other payables		(6,376)	(21,109)
Net cash flows from (used in) operating activities		806	(13,319)
Cash flows from investing activities			
Interest received		108	499
Net cash flows from investing activities		108	499
Net increase (decrease) in cash and cash equivalents		914	(12,820)
Cash and cash equivalents at 1 January	13	18,914	31,734
Cash and cash equivalents at 31 December	13	19,828	18,914

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 organisation's 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, EDCTP1, will end on 31 December 2015. The Delegation Agreement for the second EDCTP programme, EDCTP2, under Horizon 2020, the EU Framework Programme for Research and Innovation was signed on 23 December 2014.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs).

The financial statements were authorised for issue by the EEIG General Assembly on 5 June 2015.

(b) Going concern

The EDCTP1 programme will come to an end on 31 December 2015 and consequently EDCTP-EEIG will be liquidated.

The Delegation Agreement for the second EDCTP programme (EDCTP2), which is expected to run up to 2026, was signed on 23 December 2014. This programme will be executed by the incorporated association European & Developing Countries Clinical Trials Partnership. The personnel and non-current assets of EDCTP-EEIG will be transferred to this association. As a result the liquidation of EDCTP-EEIG has no impact on the valuation of assets and liabilities.

(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 EU-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.

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 at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(c) Financial instruments

EDCTP classifies non-derivative financial assets into the following categories: loans and receivables.

EDCTP classifies non-derivative financial liabilities into the other financial liabilities category.

Non-derivative financial assets and financial liabilities – recognition and derecognition

EDCTP initially recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

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, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by ECTP is recognised as a separate asset or liability.

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

Financial assets and financial 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 them on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets – measurement

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities – measurement

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

(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 recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount.

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

Recognition and measurement

Items of PP&E are carried at cost less accumulated depreciation and accumulated impairment losses.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to EDCTP.

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Computer hardware and operating system	3 years
Other equipment	4 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(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 obligation 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

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

EDCTP does not contribute into a pension scheme for its employees.

For employees seconded from hosting institutions, the liabilities are the responsibility of the hosting institutions. The hosting institutions only invoice the related amount to EDCTP as if it is a defined contribution plan.

(j) Lease payments

Payments made under operating lease are recognised in the statement of financial performance and other comprehensive income in the year the expenditure is incurred.

(k) Finance income and finance costs

EDCTP's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;

Interest income or expense is recognised using the effective interest method.

(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.

4. New Accounting Standards

A number of new standards, amendments to standards and interpretations that are effective for annual periods beginning after 1 January 2014 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. 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.

6. Contributions

	2014 EC	2014 Donors	2014 Total	2013 Total
Expressed in thousands ('000) of euro				
Cash contributions to EDCTP				
EC for period 12 of the grant agreement	2,820	-	2,820	11,537
Member state & 3 rd party re grant contributions	-	(626)	(626)	744
Member state & 3 rd party re other expenditure	-	470	470	244
Member state & 3 rd party re governance	-	-	-	-
Total cash contributions to EDCTP	2,820	(156)	2,664	12,525
In kind & direct contributions				
Member state & 3 rd party re grant contributions	-	10,218	10,218	25,477
Member state & 3 rd party re programme activities	-	111	111	86
Member state & 3 rd party re support activities	-	32	32	28
Member state & 3 rd party re governance	-	132	132	111
Total in kind and direct contributions	-	10,493	10,493	25,702
EDCTP-Plus (cash contributions from EC)	3,309	-	3,309	3,385
Total contributions	6,129	10,337	16,466	41,612

7. Finance income

Expressed in thousands ('000) of euro

	2014 Restricted: EC	2014 Restricted: Donors	2014 Total	2013 Total
Finance income	45	56	101	303
Total finance income	45	56	101	303

8. Grants expenditure

Expressed in thousands ('000) of euro

	2014 Restricted: EC	2014 Restricted: Donors	2014 Total	2013 Total
Cash cofunding	(749)	620	(129)	7,669
In kind & direct cofunding	-	10,218	10,218	25,477
Total grants expenditure	(749)	10,838	10,089	33,146

The restricted EC cash cofunding in 2014 is negative because several EC funded projects closed in 2014 were underspent.

9. Other expenditure

Expressed in thousands ('000) of euro

	Note	2014 Restricted EC	2014 Restricted Donors	2014 Total	2013 Total
Personnel expenses	10	3,420	54	3,474	2,892
Travel and subsistence		477	10	487	560
Member states co funded		-	51	51	36
Secretariat costs					
Support costs		240	32	272	315
Other expenses		3,123	428	3,551	2,988
Total other expenditure		7,260	575	7,835	6,791

Other expenditures are incurred by EDCTP directly in carrying out its programme and comprise all costs except governance and grants expenditure. These include support costs and depreciation of PP&E. The support costs include housing (rent, service charges and parking), telephone costs, catering and office cleaning.

10. Personnel expenses

Expressed in thousands ('000) of euro

	2014 EC	2014 Donors	2014 Total	2013 Total
Staff wages and salaries	3,001	54	3,055	2,563
Social security contributions	155	-	155	137
Other personnel costs	264	-	264	192
Total personnel expenses	3,420	54	3,474	2,892

The average number of full time equivalent employees was as follows:

	2014	2013
Secretariat (EDCTP staff)	23.61	23.95
Secretariat (seconded from NWO/MRC & DOH)	3.80	3.47
Total	27.41	27.42

11. Governance expenditure

Expressed in thousands ('000) of euro

	2014	2014	2014	2013
	Restricted:	Restricted:	Total	Total
	EC	Donor		
General Assembly	12	132	144	138
Partnership Board	-	-	-	10
Strategic Advisory Committee	94	-	94	77
Audit fees	27	8	35	42
Total governance expenditure	133	140	273	267

These represent the costs attributable to external audit fees and governance bodies of EDCTP. The governance bodies are the General Assembly (GA) and the Strategic Advisory Committee (formerly the Partnership Board).

12. Debtors and other receivables

Expressed in thousands ('000) of euro

	2014	2013
	Total	Total
EC owed funds	1,057	9,323
Others	103	758
Prepayments	6	5
Total debtors and other receivables	1,166	10,086
Non-current	-	-
Current	1,166	10,086
Total debtors and other receivables	1,166	10,086

13. Cash and cash equivalents

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

Expressed in thousands ('000) of euro

	2014	2013
Bank balances	19,795	18,893
Cash in hand	33	21
Total cash and cash equivalents	19,828	18,914

14. Restricted reserve: EC

Expressed in thousands ('000) of euro

	Balance 31 December 2013	Incoming resources	Outgoing resources	Balance 31 December 2014
Restricted reserve: EC	308	6,174	(6,644)	(162)
	308	6,174	(6,644)	(162)

15. Restricted reserve: Donors

Expressed in thousands ('000) of euro

	Balance 31 December 2013	Incoming resources	Outgoing resources	Balance 31 December 2014
Restricted reserve: Donor	3,063	10,393	(11,553)	1,903
	3,063	10,393	(11,553)	1,903

16. Grant payables

Grant payables include payments to be made to research organisations based on underlying research contracts.

17. EC Creditor

The EC creditor is the difference between the total amount of funds received from EC plus the interest received (€195,779,096) and the sum of the disbursements and commitments (€191,139,297) as at 31 December 2014.

18. Other payables

The other payables mainly relate to EDCTP2 contributions received in advance from the UK Medical Research Council UK (€2,383,834). These amounts have to be transferred to the association European & Developing Countries Clinical Trials Partnership which will be executing the EDCTP2 program.

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.

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 fair value of the non-derivative financial assets and liabilities equals the amount presented in the statement of financial position.

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. 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 very low risk of non-payment and therefore makes no provision in the accounts.

The carrying amount of financial assets (note 12) represents the maximum credit exposure.

As at 31 December 2014 the donor debt profile was as shown below:

	€'000
Public sector donor debt	1,166
Private sector donor debt	-
	<hr/>
Total donor debt	1,166
	<hr/>

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 minimises 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	1,166	1,166	1,166	-	-	-	-
Cash and cash equivalents	19,828	19,828	19,828	-	-	-	-
Current liabilities	(19,253)	(19,253)	(19,253)	<hr/>	<hr/>	<hr/>	<hr/>
	1,741	1,741	1,741	-	-	-	-
	<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 2014			31 December 2013		
	EUR €'000	USD €'000	SEK €'000	EUR €'000	USD €'000	SEK €'000
Debtors	1,166	-	-	10,086	-	-
Current liabilities	(19,253)	-	-	(21,810)	-	-
Non-current liabilities	-	-	-	(3,819)	-	-
Net exposure	<u>(18,087)</u>	<u>-</u>	<u>-</u>	<u>(15,543)</u>	<u>-</u>	<u>-</u>

The following significant exchange rates applied during the year:

	Average rate		Reporting date Spot rate	
	2014	2013	2014	2013
USD	1.3290	1.3280	1.2155	1.3766
ZAR	14.3833	12.7905	14.0997	14.4363
CHF	1.2144	1.2304	1.2027	1.2256
SEK	9.0961	8.6495	9.4804	8.9225

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:

	2014 €'000	2013 €'000
Variable rate instruments		
Financial assets	19,828	18,914
	<u>19,828</u>	<u>18,914</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 the full amount is contingent on EDCTP awarding grants and members states contributing an equal amount either to EDCTP directly or to EDCTP funded projects.

EDCTP has awarded (€'000) 191,139 as at 31 December 2014 (was 188,267 as at 31 December 2013), resulting in a contingent asset of (€'000) 8,861 (was 11,733 as at 31 December 2013) which has not been recognised in the accounts. The total amount to be received (including EC owed funds) is as a result (€'000) 4,221 (was 21,056 as at 31 December 2013).

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. Operating lease

The EDCTP has entered into a hosting agreement with NWO in The Hague, Netherlands, which includes which includes a lease for the Secretariat Office in The Hague. This lease is due to expire on 31 December 2015. Similarly EDCTP has signed a hosting agreement with MRC South Africa, which includes a lease for the EDCTP office in Cape Town. The EDCTP does not have an option to purchase the premises at the expiry of the hosting agreements. The rent paid is charged as expense in the statement of performance and other comprehensive income. The rent in The Hague increases by CPI each year.

The operating lease payments recognised as an expense in 2014 amounted to €192,111 (was €159,407 in 2013). Future lease payments are not reflected as a liability in the balance sheet.

23. Financial guarantees issued

For International Card Services BV (ICS) to accept EDCTP as a credit card holder, EDCTP has to provide a financial guarantee amounting to €25,000 to ICS.

24. Related parties

Key management personnel compensation

Key management personnel compensation comprised the following:

	2014 €'000	2013 €'000
Short-term employee benefits	1,246	878
	1,246	878

Other related party transactions

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 fall under the definition of IAS 24 (related parties). EDCTP receives income in cash and in-kind from member states. In note 6 EDCTP disclosed the nature and size of the transactions with the member states.

25. Remuneration of governing bodies

The General Assembly (GA) members are not paid any honorariums in respect of attending meetings in 2014. GA members meet the costs associated with the attendance of GA meetings.

The Strategic Advisory Committee (SAC) members are paid honorarium for attending SAC meetings. The total amount of honorarium paid to SAC members in 2014 is €45,100.

The Hague, 5 June 2015

General Assembly:	Dr Mark Palmer (Chairperson) Prof. Stefano Vella (Vice-chair) Dr Detlef Böcking (Vice-chair) Dr Christiane Druml Prof. Bruno Gryseels Mr Mikkel Lyndrup Prof. Jean-François Delfraissy Dr Joachim Klein Dr Evangelia Ntzani Mr Patrick Empey Dr Carlo Duprel Dr Eva Rijkers Dr Sigurd Røtnes Dr Ricardo Pereira Dr Rafael De Andrés-Medina Prof. Hannah Akuffo Dr Isabella Beretta
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Other information

Independent auditor's report

To: the General Assembly of EDCTP-EEIG

We have audited the accompanying financial statements 2014 of EDCTP-EEIG, The Hague, which comprise the statement of financial position as at 31 December 2014, the statements of financial performance and other 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 these 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 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 2014 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, 5 June 2015
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 2014 result: an amount of EUR 470,000 to be subtracted from the restricted reserve: EC and an amount of EUR 1,160,000 to be subtracted from the restricted reserve: donor. This proposal has been incorporated into the financial statements.