CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC

FINANCIAL STATEMENTS
for the year ended 31 December 2019

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

General Information

DIRECTORS	Prof A Bawa (Universities South Africa) Prof JM Frantz (University of the Western Cape) Dr D Clark (Aurum Research Institute) Prof LP Fried (Columbia University, New York) Prof D Ramjugernath (University of KwaZulu-Natal) Prof SA Madhi (University of Witwatersrand) Prof SS Abdool Karim (Director: CAPRISA) Justice LV Theron (Constitutional Court of South Africa) – appointed 4 April 2019 Dr K Naidoo (Director: CAPRISA) Dr N Padayatchi- (Director: CAPRISA) Prof Q Abdool Karim (Director: CAPRISA) Ms B Ntuli – Chairperson (The Foschini Group) Mr M Rajab – Deputy Chair (New National Assurance)
NATURE OF BUSINESS	During the year the company continued to conduct HIV Research, financed by grants received from various donors both local and international.
AUDITOR	PricewaterhouseCoopers Inc
BANKERS	ABSA Bank Limited The Standard Bank of South Africa Limited Investec 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 INCORPORATION	Republic of South Africa

CONTENTS

PREPARER OF ANNUAL FINANCIAL STATEMENTS

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

LEVEL OF ASSURANCE

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.

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

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2019

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 2019 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 pages 5 and 6.

The annual financial statements and additional schedules set out on pages 7 to 31, which have been prepared on the going concern basis, were approved by the board on 9/07/2020 and is signed on its behalf by:

Professor SS Abdool Karim

REPORT OF THE DIRECTORS
for the year ended 31 December 2019

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 R2 773 044 (2018: R17 549 834).

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. Refer to subsequent events note 21 for details relating to the impact of Covid-19.

AUDITORS

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

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Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Centre for the Aids Programme of Research in South Africa NPC (the Company) as at 31 December 2019, 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's financial statements set out on pages 7 to 31 comprise:

- the statement of financial position as at 31 December 2019;
- 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;
- Accounting policies; and
- the notes to the financial statements.

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 sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Centre for the AIDS Programme of Research in South Africa NPC Financial Statements for the year ended 31 December 2019", which includes the Report of the Directors as required by the Companies Act of South Africa. The 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 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, 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.

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Chief Executive Officer: L S Machaba
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

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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: Y Kharwa
Registered Auditor
Durban
16 July 2020

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	2019 R	2018 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	35 390 743	45 022 604
Right of use asset	12	9 007 836	-
Current assets			
Financial assets - Investments	8	45 546 829	17 056 777
Trade and other receivables	6	12 877 273	27 819 657
Current account - related party	10	5 369 835	6 033 514
Cash and cash equivalents	7	33 557 599	52 354 531
		97 351 536	103 264 479
TOTAL ASSETS		141 750 115	148 287 083
EQUITY AND LIABILITIES			
Funds		73 520 447	72 852 223
Accumulated funds	16	65 161 030	64 800 419
Sustainability reserve	16	8 359 417	8 051 804
Non-current liabilities			
Trade and other payables	9	3 853 256	5 773 691
Lease liability	12	935 322	-
Current liabilities			
Trade and other payables	9	18 846 103	23 380 603
Deferred income	11	43 554 442	46 280 566
Lease liability	12	1 040 545	-
TOTAL LIABILITIES		68 229 668	75 434 860
TOTAL EQUITY AND LIABILITIES		141 750 115	148 287 083

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
(REGISTRATION NUMBER: 2002/024027/08)
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STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 R	2018 R
Revenue		**205 943 165**	254 072 727
Operating expenses	2	**(210 481 281)**	(261 968 044)
Operating deficit for the year	2	**(4 538 116)**	(7 895 317)
Other income	4	**855 502**	5 434 934
Finance income	3	**3 333 777**	2 910 495
Finance costs	3	**(436 293)**	-
Total (deficit)/surplus and comprehensive income for the year		**(785 130)**	450 112
(Transferred to)/or released from to sustainability reserve		**(307 613)**	531 666
Decrease/(increase) in accumulated funds balance		**(1 092 743)**	981 778

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2019

	Sustainability Reserve R	Accumulated Funds R	Total R
Balance at 1 January 2018	**8 583 470**	**63 818 641**	**72 402 111**
Total surplus and comprehensive income for the year	-	450 112	450 112
Transfer from Sustainability Reserve	(531 666)	531 666	-
Balance at 31 December 2018	**8 051 804**	**64 800 419**	**72 852 223**
Impact of adoption on new standard IFRS 16 (note 1.15)	-	1 453 354	**1 453 354**
Total deficit and comprehensive income for the year	-	(785 130)	(785 130)
Transfer to Sustainability Reserve	307 613	(307 613)	-
Balance at 31 December 2019	**8 359 417**	**65 161 030**	**73 520 447**

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	2019 R	2018 R
Cash flows from operating activities			
Cash generated by operations	16	**12 221 916**	957 423
Interest received		**3 333 777**	2 910 495
Net cash inflow from operating activities		**15 555 693**	3 867 918
Cash flows from investing activities			
Proceeds on sale of assets		**250 177**	98 945
Acquisition of property, plant and equipment		**(2 773 044)**	(17 549 834)
Dividend income		**990 459**	656 358
Purchase of investments		**(28 547 866)**	(2 117 885)
Net cash outflow from investing activities		**(30 080 274)**	(18 912 416)
Cash flows from financing activities			
(Decrease) in deferred income liability		**(2 726 124)**	(25 967 774)
Payment of lease liability		**(1 157 607)**	-
Decrease/(Increase) in current account-related party		**663 679**	(84 653)
Net cash outflow from financing activities		**(3 220 052)**	(26 052 427)
Net decrease in cash and cash equivalents		**(17 744 633)**	(41 096 925)
Cash and cash equivalents at beginning of year		**52 354 531**	91 662 162
Foreign exchange gain/(loss)		**(1 052 299)**	1 789 294
Cash and cash equivalents at end of year	7	**33 557 599**	52 354 531

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 annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and 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 with the exception of new accounting standards adopted (note 1.15). The South African Rand (R) is used as the functional currency.

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

Revenue is measured based on the consideration specified in a contract with a funder and excludes amounts collected on behalf of third parties. The principle activity from which CAPRISA generates its revenue relates to designated income from contracts, grants and donations. Funds are received to undertake specific activities as outlined in their respective agreements. These agreements outline the performance obligations against which revenue is recognised. Performance obligations are satisfied either at a point in time where there are specific milestones or over time where the contracts are structured as such.

Revenue is recognised when the performance obligation relating to each specific contract has been satisfied. Where performance obligations are satisfied over time, CAPRISA adopts an input method based on the costs incurred to date as a percentage of the total cost of the contract as a measure of the percentage of completion of the contract. Given the nature of the contracts completed over time, this method provides a faithful depiction of the transfer of services for performance obligations satisfied over time.

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 R10 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	5 - 10 years

Depreciation methods, useful lives and residual values are assessed annually at the reporting date.

1. ACCOUNTING POLICIES (continued)

1.6 Leases

The company leases various properties and other assets. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the fixed payments (including in-substance fixed payments), less any lease incentives receivable, and the lease payments are discounted using the company's incremental borrowing rate.

Right-of-use assets are measured at cost and comprise of the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-lined basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.7 Expenditure recognition

Unless another standard permits the expenditure to be added to the cost of an asset, expenditure is recognised in surplus/deficit 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

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

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.

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 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.

1.10 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. ACCOUNTING POLICIES (continued)

1.11 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service. The accruals for employee entitlements to wages, salaries, and annual leave represent the amount which the Company has a present obligation to pay as a result of employees' services provided to reporting date.

1.12 Impairment of non-financial assets

The carrying amounts of the Company's assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its fair value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generated cash inflows from continuing use that are largely independent of the cash inflows of other assets of CGUs. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

1.13 Foreign currency translation

Measurement currency

Items included in the financial statements of the company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company ('the measurement currency').

Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges.

Translation differences on debt securities and other monetary financial assets measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary items such as equities held for trading are reported as part of the fair value gain or loss. Translation differences on available-for-sale equities are included in the revaluation reserve in equity.

1. ACCOUNTING POLICIES (continued)

1.13 Foreign currency translation (continued)

Exchange differences that result from a severe devaluation of a currency against which there is no practical means of hedging and which affects liabilities that cannot be settled, and that arise directly on the recent acquisition of an asset invoiced in a foreign currency, are included in the carrying amount of the related asset. The asset is impaired if the adjusted carrying amount exceeds the lower of replacement cost and the amount recoverable from the sale or use of the asset.

1.14 Standards and amendments in issue not yet effective

The following amended accounting standards (considered relevant to the company) 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:

- *Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.*

The amendments to IAS 1 and IAS 8 include the use of a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; clarify the explanation of the definition of material; and incorporate some of the guidance in IAS 1 about immaterial information.

1.15 Standards and amendments effective for the current year

- *Amendments to IFRS 9 – 'Financial instruments' on prepayment features with negative compensation and modification of financial liabilities*

The amendments allow companies to measure particular pre-payable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met—instead of at fair value through profit or loss. The amendment also confirms that most modifications of financial liabilities will result in immediate recognition of a gain or loss.

- *IFRS 16 – Leases*

IFRS 16: Leases is effective for the company's 31 December 2019 year-end. The company has therefore adopted IFRS 16 from 1 January 2019 using the modified retrospective approach. As a result, comparative financial information for the 2018 reporting period has not been restated as permitted under the specific transition provisions.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases.

These liabilities were measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

The associated right of use assets for the property leases were measured on a modified retrospective basis, with the new rules applied effective 1 January 2019. The right of use assets were measured at the amount equal to the lease liability on adoption date. As a result, there was no impact on the company's opening retained earnings, with the exception of one lease agreement where the rental amount for the duration of the lease was payable at the start of the lease term.

1. ACCOUNTING POLICIES (continued)

1.15 Standards and amendments effective for the current year (continued)

In applying IFRS 16 for the first time, the company used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonable similar characteristics, and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January as short-term leases.

	R'000
Lease Liability recognised on 1 January 2019	3 133 474
Right of use of asset recognised on 1 January 2019	11 633 474
Net impact on retained earnings on 1 January 2019	1 453 354

NOTES TO THE FINANCIAL STATEMENTS

	2019 R	2018 R
2. Operating deficit for the year		
Operating deficit for the year is arrived at after taking into account the following items:		
Salaries	**97 367 427**	111 465 338
Directors remuneration	**8 907 512**	7 881 647
Auditors' remuneration		
- External and donor audit	**705 834**	1 200 000
Legal and other professional fees	**3 785 257**	8 051 522
Repairs and maintenance	**4 658 655**	4 431 754
Depreciation	**13 023 046**	8 664 011
Operating lease costs- office equipment	**687 562**	924 888
Operating lease costs- buildings	**518 802**	1 692 720
Lab costs	**21 162 705**	28 437 211
Subcontract costs	**22 342 236**	44 066 886
Travel	**6 279 910**	8 890 299
Other	**31 042 425**	36 351 763
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:		
Clinical Trials Unit	**2 181 222**	1 123 677
Magee Women's Research Institute	**48 847**	698 623
HVTN702	**1 584 856**	1 312 892
CAP084	**-**	4 373 148
Other	**12 861 342**	7 146 445
Total indirect costs	**16 676 267**	14 654 785
Summary of indirect costs		
CAPRISA administration and finance related expenses	**16 676 267**	14 654 785
3. Net Finance income		
Finance Income		
Interest received - bank	**3 048 559**	2 465 710
Interest received – financial investments	**285 218**	444 785
	3 33 777	2 910 495
Finance costs – lease liability	**(436 293)**	-
	2 897 484	2 910 495

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Other income

	2019 R	2018 R
Sundry income	**917 342**	1 882 878
Foreign exchange gain/(loss)	**(1 052 299)**	2 895 698
Dividend income	**990 459**	656 358
	855 502	5 434 934

5. Property, plant and equipment

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2019				
Beginning of year cost	37 068 309	8 944 304	37 467 633	83 480 246
- Accumulated depreciation	(14 483 181)	(5 462 392)	(18 512 069)	(38 457 643)
Net book value	**22 585 128**	**3 481 912**	**18 955 564**	**45 022 604**
-Transfer to Right of Use Asset	-	-	(1 792 083)	(1 792 083)
- Additions	721 637	-	2 051 408	2 773 044
- Disposals	-	(192 168)	(23 245)	(215 413)
- Cost	-	(281 221)	(39 849)	(321 070)
- Accumulated depreciation	-	89 053	16 604	105 657
Depreciation	(4 025 115)	(1 649 439)	(4 722 855)	(10 397 409)
Balance at end of year	**19 281 649**	**1 640 305**	**14 468 789**	**35 390 743**
Made up at end of year				
- Cost	37 789 946	8 663 083	37 687 109	84 140 138
- Accumulated depreciation	18 508 297	7 022 778	23 218 320	48 749 395
Net book value	**19 281 649**	**1 640 305**	**14 468 789**	**35 390 743**

Laboratory equipment, with a carrying value of R16 087 531 (2018: R 18 912 412) has been included in the above disclosure under the "Furniture and equipment" category of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. Property, plant and equipment (continued)

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2018				
Beginning of year cost	24 344 225	8 581 786	34 129 027	67 055 038
- Accumulated depreciation	(12 208 673)	(3 691 827)	(14 937 957)	(30 838 457)
Net book value	**12 135 552**	**4 889 959**	**19 191 070**	**36 216 581**
Movements during the year				
- Additions	12 724 084	362 518	4 463 232	17 549 834
- Disposals	-	-	(79 800)	(79 800)
- Cost	-	-	(1 124 626)	(1 124 626)
- Accumulated depreciation	-	-	1 044 826	1 044 826
Depreciation	(2 274 508)	(1 770 565)	(4 618 938)	(8 664 011)
Balance at end of year	**22 585 128**	**3 481 912**	**18 955 564**	**45 022 604**
Made up at end of year				
- Cost	37 068 309	8 944 304	37 467 633	83 480 246
- Accumulated depreciation	(14 483 181)	(5 462 392)	(18 512 069)	(38 457 643)
Net book value	**22 585 128**	**3 481 912**	**18 955 564**	**45 022 604**

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 R	2018 R

6. Trade and other receivables

Donor reimbursement receivable	**10 841 032**	20 515 119
VAT receivable	**954 602**	968 336
Prepaid expenses	**1 081 639**	6 336 202
	12 877 273	27 819 657

It should be noted that the entity considers trade and other receivables to be fully recoverable. The company recognises loss allowances for expected credit losses on financial assets measure at amortised cost. Loss allowances for trade receivables and specifically for donor reimbursement receivables is measured using the simplified approach at an amount equal to lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the historical experience and informed credit assessment and including forward looking information. The expected loss rates are based on the historical credit losses experienced within the past 3 financial years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the donors to remit funds in line with the contractual arrangements in place. The majority of the trade and other receivable balances above comprises of funds receivable from donors for which funding contracts are in place. There have been no historical credit losses in respect of these arrangements and with the respective donors and therefore the risk of non-recovery is very low. The company does not raise a general provision for all donor reimbursement receivables due to the high quality of the donors and the impeccable collection history. The expected credit loss has been assessed to be insignificant.

The other classes within trade and other receivables do contain impaired assets.

7. Cash and cash equivalents

Cash in bank	**45 384 361**	52 143 808
Cash on hand	**162 468**	210 723
	45 546 829	52 354 531

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 920 000
Absa vehicle management system – R 7000

Cash related to deferred income included in above	**43 554 442**	46 280 566

The following bank balances are held in a foreign currency:

Amounts held in United States Dollars	**24 527**	78 512
Amounts held in Euros	**164 039**	959 649

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2019 R	2018 R

7. Cash and cash equivalents (continued)

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2019 R	2018 R
Credit rating		P – 3

8. Financial assets

	2019 R	2018 R
Available for sale investments – listed shares	-	17 056 777

A fair value impairment loss of R 57 815 (2018: R 2 859 888) was recognised in the statement of comprehensive income for the current year due to the decline in quoted prices. During the year all shares were sold and this investment was closed.

	2019 R	2018 R
Fixed deposits	**45 546 829**	-

Fixed deposits are held for a maximum term of one year

	2019 R	2018 R
Credit rating		P – 3

9. Trade and other payables

	2019 R	2018 R
Trade payables	**16 371 614**	20 670 449
Accruals	**311 360**	260 180
Leave pay accrual	**1 683 129**	2 079 973
Long service award accrual (Current)	**480 000**	370 000
	18 846 103	23 380 603
Long service award accrual (Non-Current)	**3 853 257**	5 773 691
	22 699 360	29 159 294

The entity considers an amount of R3 853 257 (2018: R5 773 691) of the long service award accrual to be non-current, the remaining portion of R480 000 (2018: R370 000) is considered to be a current liability.

10. Amount owing by UKZN

	2019 R	2018 R
Amount owing by UKZN	**5 369 835**	6 033 514

This amount is interest-free, unsecured and there are no fixed terms of repayment. There has been no historical credit losses in respect of the amounts owing by UKZN and the risk of non-recovery is very low. The expected credit loss has been assessed to be insignificant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Deferred income

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
2019	**46 280 566**	**26 838 004**	**(29 564 128)**	**43 554 442**
2018	72 248 340	3 735 758	(29 703 532)	46 280 566

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. Leases

The company leases offices and laboratory equipment.

	Right of Use Asset R
2019	
Opening cost -Adoption of IFRS 16- 1 January 2019	11 633 474
Rental of Offices	8 500 000
Laboratory Equipment	3 133 474
Depreciation	(2 625 638)
Rental of Offices	(1 000 000)
Laboratory Equipment	(1 625 638)
Balance at the end of year – Net book Value	**9 007 836**

	Lease Liability R
2019	
Opening cost -Adoption of IFRS 16	3 133 474
Finance Costs	436 293
Lease Payment	(1 593 900)
	1 975 867
Current portion of lease liability	(1 040 545)
Balance at end of year	**935 322**

13. 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.

14. Financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

14.1 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 (i.e. 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.

14.2 Classification of financial instruments

	Loans and receivables 2019 R	Loans and receivables 2018 R
Current assets		
Trade and other receivables	**12 877 273**	27 819 657
Cash and cash equivalents	**33 557 599**	52 354 531
Current account- related party	**5 369 835**	6 033 514
Total	**51 804 707**	86 207 702

	Financial liability at amortised cost 2019 R	Financial liability at amortised cost 2018 R
Current liabilities		
Trade payables and accruals	**16 682 974**	20 930 630
Deferred income	**43 554 442**	46 280 566
Total	**60 237 416**	67 211 196

	Financial assets at fair value through profit or loss 2019 R	Financial assets at fair value through profit or loss 2018 R
Financial assets	**45 546 829**	17 056 777

15. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. 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 decreased the deficit by R34 337 (2018: 110 701). A 10% weakening of the Rand against the Euro would have decreased the deficit by R257 541 (2018: 1 573 824).

The calculations below are performed under the assumption that all other variables remain constant.

Foreign Denominated balances:	**2019** **R**	**2018** **R**
ABSA USD CFC Account balance:	**24 527**	78 512
Exchange rate at year end	**14.05**	14.41
10% change in exchange rate	**1.40**	1.41
Impact on total comprehensive surplus	**34 337**	110 701
ABSA EURO CFC Account balance:	**164 039**	959 649
Exchange rate at year end	**15.73**	16.48
10% change in exchange rate	**1.57**	1.64
Impact on total comprehensive surplus	**257 541**	1 573 824

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial risk management (continued)

Cash flow interest rate risk

This risk is managed by ensuring that cash and investments are invested in the manner that is most favourable to the entity.

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

	2019 R	2018 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	**24 675 226**	28 899 731
Less: Cash and cash equivalents	**(33 557 599)**	(52 354 531)
Net variable rate exposure	**(8 882 373)**	(28 454 800)
Interest income per statement of comprehensive income	**3 333 777**	2 910 495
Net variable rate exposure	**8 882 373**	28 454 800
Effective rate	**37.5%**	10.2%
Therefore a 1% movement would impact the statement of comprehensive income by	**888 824**	284 548

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 investment committee manages the sales and purchases of shares.

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

Price Risk Sensitivity Analysis

	2019 R	2018 R
Equity investments as per the statement of financial position	-	17 056 778
Therefore a 1% movement would result in an increase/decrease in value of	-	170 568

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial risk management (continued)

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.

	2019 R	2018 R
Exposure to credit risk		
Trade and other receivables	**12 877 273**	27 819 657
Cash and cash equivalents	**33 557 599**	52 354 531
Current account - related party	**5 369 835**	6 033 514
Financial assets - Investments	**45 546 829**	17 056 778
	97 351 536	103 264 480

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.

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

	Between 1 – 3 months R	< 1 year R	> 1 year R	Total R
2019				
Financial assets				
Trade and other receivables	12 877 273	-	-	12 877 273
Cash and cash equivalents	33 557 599	-	-	33 557 599
Current account - related party	-	5 369 835	-	5 369 835
Financial Assets - Investments	-	45 546 829	-	45 546 829
Financial liabilities				
Deferred grant income	-	43 554 442	-	43 554 442
Trade and other payables	16 682 974	2 163 129	3 853 256	22 699 359

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Financial risk management (continued)

	Between 1 – 3 months R	< 1 year R	> 1 year R	Total R
2018				
Financial assets				
Trade and other receivables	27 819 657	-	-	27 819 657
Cash and cash equivalents	52 354 531	-	-	52 354 531
Current account - related party	-	6 033 514	-	6 033 514
Financial assets - Investments	-	17 056 778	-	17 056 778
Financial liabilities				
Deferred grant income	-	48 280 566	-	48 280 566
Trade and other payables	20 670 450	2 710 153	5 773 691	29 154 294

16. Cash generated from operations

	2019 R	2018 R
Total comprehensive (deficit)/surplus	**(785 130)**	450 112
Adjusted for non-cash items:		
Impairment loss on investment in shares	**57 815**	2 859 888
(Profit)/Loss on sale of asset	**(34 765)**	(19 144)
Depreciation	**13 023 047**	8 664 011
	12 260 967	11 954 867
Adjusted for separately distributable		
- Finance income	**(3 333 777)**	(2 910 495)
- Foreign exchange (gain)/loss	**1 052 299**	(1 789 294)
- Dividend income	**(990 459)**	(656 358)
Changes in working capital		
Decrease/(Increase) in receivables	**9 687 821**	(6 265 657)
(Decrease)/Increase in payables	**(6 454 935)**	624 360
Cash generated from operations	**12 221 916**	957 423

17. 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 307 613 (2018: R 531 666).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Fair values of financial assets and liabilities

At 31 December 2018

	Level 1 R	Level 2 R	Total R
Financial assets measured at fair value			
- Financial assets – investments	17 056 777	-	17 056 777
Total financial assets measured at fair value	17 056 777	-	17 056 777

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 traded 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.

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.

19. Related parties

Related party transactions

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

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

An amount of R5 369 835 is owing from UKZN (refer note 10).

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. Related parties (continued)

Key Management

Management personnel having the authority and responsibility for planning, directing and controling the activities of an entity.

20. Directors' remuneration

	2019 R	2018 R
Prof SS Abdool Karim		
- Salary	**991 455**	817 560
- Bonus	**336 878**	312 869
- Allowances	**1 584 441**	1 435 918
	2 912 774	2 566 347
Dr Nesri Padayatchi		
- Salary	**1 211 190**	1 190 302
- Bonuses	**240 645**	42 855
- Allowances	**287 494**	273 607
	1 739 329	1 506 764
Dr Kogieleum Naidoo		
- Salary	**1 188 468**	1 139 596
- Bonuses	**517 767**	291 818
- Allowances	**228 218**	198 875
	1 934 454	1 630 289
Prof Q Abdool Karim		
- Salary	**1 028 552**	938 880
- Bonuses	**445 743**	365 400
- Allowances	**846 660**	873 967
	2 320 955	2 178 247
Total directors' remuneration	**8 907 512**	7 881 647

21. Events subsequent to year end

Subsequent to the 31 December 2019 financial year-end, but before the date of authorisation of these financial statements, the South African government instituted a nationwide lockdown commencing on the 23rd of March 2020 in response to the covid-19 global pandemic. Only certain sectors of the economy, which were considered to be providing essential goods or services were allowed to operate. The lockdown was then further extended by the President on 9 April 2020, together with a planned phasing-in of economic activity thereafter in accordance with risk alerts determined by the government. The covid-19 pandemic and related, nation-wide lockdown has not interfered with the company's ability to continue in operation. The company's research activities have continued unaffected during this period, as the undertaking of such activities relating to public healthcare is deemed to be an essential service. The existing contractual arrangements relating to research activities are unaffected and there has been no material impact to funding received post year-end. Furthermore, there has not been any regulatory changes announced by the President of South Africa that will threaten the company's ability to continue as a going concern. The event is therefore considered a non-adjusting subsequent event.

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 2019

	2019 R	2018 R
Income		
Grants received	**205 943 165**	254 072 727
Net interest income	**2 897 484**	2 910 495
Forex gain	**-**	2 895 698
Sundry income	**1 907 801**	2 539 234
	210 748 450	262 418 153
***Expenses and transfers**	**211 841 193**	261 436 374
Audit fees	**950 548**	1 531 264
Chemicals and gases	**2 230 937**	95 517
Computer supplies	**3 333 309**	2 672 945
Depreciation	**13 023 046**	8 664 011
Directors remuneration	**8 907 512**	7 881 647
Electricity	**172 080**	200 643
Fellowships	**7 678 438**	7 089 144
Forex loss	**1 052 299**	-
Increase/(decrease) in leave pay accrual	**(396 843)**	(890 534)
Increase/(decrease) in long service accrual	**(1 810 434)**	(897 925)
Increase/(decrease in indefinite contract	**307 613**	(531 666)
Insurance	**1 302 021**	896 620
Investment management fee	**220 405**	309 020
Impairment loss on investment	**57 815**	2 859 888
Laboratory costs	**21 162 705**	28 347 211
Legal and other professional fees	**3 785 257**	8 051 522
Meeting costs	**3 321 742**	2 313 973
Participant refreshments	**253 258**	458 988
Participant reimbursements	**2 143 059**	3 000 819
Recruitment costs	**197 071**	497 175
Rental – buildings	**518 802**	1 692 720
Rental – office equipment	**687 562**	924 888
Repairs and maintenance	**4 658 655**	4 431 754
Salaries	**97 367 427**	111 465 338
Security	**1 094 813**	1 253 444
Stationery and printing	**1 490 162**	1 918 326
Subcontract costs	**22 342 236**	44 066 886
Subscriptions	**3 174 218**	2 519 953
Sundry expenses	**4 047 346**	6 735 464
Telephone, postage and courier	**1 600 631**	3 979 986
Toxic waste disposal	**189 873**	239 210
Training and development	**532 485**	688 044
Travel	**6 279 910**	8 890 299
(Profit)/loss on sale of asset	**(34 765)**	79 800
Net (deficit)/surplus for the year	**(1 092 743)**	981 779

*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.