CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
REGISTRATION NUMBER: 2002/024027/08

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

General Information

DIRECTORS	Prof A Bawa - (Universities of South Africa) Prof R Bharuthram (University of the Western Cape) – Resigned 13/02/2018 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 JM Frantz (University of Western Cape) – Appointed 13/02/2018 Prof SS Abdool Karim (Director: CAPRISA) Justice MZ Yacoob (ex-Constitutional Court of South Africa) Dr K Naidoo (Director: CAPRISA) Dr N Padayatchi (Director: CAPRISA) Prof Q Abdool Karim (CAPRISA and Columbia University) Prof LE Mazwai – Resigned 10/04/2018 Prof RM Phakeng (University of Cape Town) - Resigned 06/06/2018 Ms B Ntuli - Chairperson (Grindrod) Mr M Rajab - Deputy Chairperson (New National Assurance Company)
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

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PREPARER OF ANNUAL FINANCIAL STATEMENTS

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

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 2018

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 page 4.

The annual financial statements and additional schedules set out on pages 6 to 31, which have been prepared on the going concern basis, were approved by the board on 2 May 2019 and is signed on its behalf by:

Professor SS Abdool Karim

Independent auditor's report

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

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centre for the Aids Programme of Research in South Africa NPC (the Company) as at 31 December 2018, 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 6 to 30 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act of South Africa, General Information, Contents, Statement of Directors' Responsibilities and the Detailed Income Statement. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not 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.

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: DRP Fourie

Registered Auditor

Block C

21 Cascades Crescent

Cascades

Pietermaritzburg

3202

Date: 10 May 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 R 17 549 834 (2017: R 17 238 132).

DIRECTORS

Particulars of the present directors are given on page 1.

EVENTS SUBSEQUENT TO YEAR END

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

GOING CONCERN

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

AUDITORS

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2018

	Notes	2018 R	2017 R
Revenue		254 072 727	254 075 988
Operating expenses	2	(261 968 044)	(258 803 347)
Operating (deficit) for the year	2	(7 895 317)	(4 727 359)
Other income	4	5 434 934	5 447 519
Finance income	3	2 910 495	3 100 632
Total surplus and comprehensive income for the year		450 112	3 820 792
Release from / (Transferred to) sustainability reserve		531 666	(1 582 564)
Increase in accumulated funds balance		981 778	2 238 228

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2018

	Notes	2018 R	2017 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	45 022 604	36 216 581
Current assets			
Financial assets - Investments	8	17 056 777	17 798 781
Trade and other receivables	6	27 819 657	21 554 000
Current account - related party	10	6 033 514	5 948 861
Cash and cash equivalents	7	52 354 531	91 662 162
		103 264 479	136 963 804
TOTAL ASSETS		148 287 083	173 180 385
EQUITY AND LIABILITIES			
Funds		72 852 223	72 402 111
Accumulated funds	16	64 800 419	63 818 641
Sustainability reserve	16	8 051 804	8 583 470
Non-Current liabilities			
Trade and other payables	9	5 773 691	6 551 616
Current liabilities			
Trade and other payables	9	23 380 603	21 978 318
Deferred Income	11	46 280 566	72 248 340
TOTAL LIABILITIES		75 434 860	100 778 274
TOTAL EQUITY AND LIABILITIES		148 287 083	173 180 385

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018

	Sustainability Reserve R	Accumulated Funds R	Total R
Balance at January 1, 2017	**7 000 906**	**61 580 413**	**68 581 319**
Total surplus and comprehensive income for the year	-	3 820 792	3 820 792
Transfer to Sustainability Reserve	1 582 564	(1 582 564)	-
Balance at December 31, 2017	**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 December 31, 2018	**8 051 804**	**64 800 419**	**72 852 223**
Note	16	16	

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 2018

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash generated by operations	15	957 423	24 951 665
Interest received		2 910 495	3 100 632
Net cash inflow from operating activities		3 867 918	28 052 297
Cash flows from investing activities			
Proceeds on sale of assets		98 945	-
Acquisition of property, plant and equipment		(17 549 834)	(17 238 132)
Dividend income		656 358	419 437
Net (purchase)/sale of financial assets-Investments		(2 117 885)	4 158 704
Net cash (outflow) from investing activities		(18 912 416)	(12 659 991)
Cash flows from financing activities			
(Decrease) in deferred income liability		(25 967 774)	(11 125 616)
(Increase) in current account-related party		(84 653)	(66 208)
Net cash (outflow) from financing activities		(26 052 427)	(11 191 824)
Net (decrease)/increase in cash and cash equivalents		(41 096 925)	4 200 482
Cash and cash equivalents at beginning of year		91 662 162	86 842 462
Foreign exchange gain		1 789 294	619 218
Cash and cash equivalents at end of year	7	52 354 531	91 662 162

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 (IFRSs) 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. 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

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

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

Interest income

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

Dividend income

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

Other income

The company generates incidental income through non-core activities. The company recognises this income as other income when the performance obligations related to such income have been met.

1.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the asset. Assets costing less than R 10 000 are written off in the year of acquisition, except for computers which are capitalised and depreciated.

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

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

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

1. ACCOUNTING POLICIES (continued)

1.6 Leases

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

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

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

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

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

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

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

1.7 Expenditure recognition

Unless another standard permits the expenditure to be added to the cost of an asset, expenditure is recognised in 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 as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is recognised in profit or loss. Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

Trade and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Derecognition of financial assets and liabilities

a) Financial assets

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

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

b) Financial liabilities

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

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

Impairment of financial assets

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

1. ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

a) Assets carried at amortised cost

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

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

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

1.9 Provisions

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

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

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

1. ACCOUNTING POLICIES (continued)

1.10 Taxation

Current income tax

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

Value added tax

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

1.11 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

1. ACCOUNTING POLICIES (continued)

1.13 Foreign currency translation (continued)

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.

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

- *IFRS 16 – Leases (1 January 2019)*

Under IFRS 16 - Leases, lessees will be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. This will impact the entity as it will be required to capitalise leases it has in place. Management are in the process of reviewing the various lease agreements to ensure this will be appropriately accounted for.

1.15 Standards and amendments effective for the current year

- *IFRS 9 – Financial Instruments (1 January 2018)*

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

1. ACCOUNTING POLICIES (continued)

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

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

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

	2018 R	2017 R

2. Operating deficit for the year

Operating deficit for the year is arrived at after taking into account the following items:

	2018 R	2017 R
Salaries	111 465 338	100 478 023
Directors' remuneration	7 881 647	6 910 539
Auditors' remuneration		
- External and donor audit	1 200 000	1 692 923
Legal and other professional fees	8 051 522	9 761 102
Repairs and maintenance	4 431 754	5 963 917
Depreciation	8 664 011	6 881 880
Operating lease costs- office equipment	924 888	509 281
Operating lease costs- buildings	1 692 720	1 420 991
Lab costs	28 437 211	32 550 240
Subcontractor costs	44 066 886	40 769 179
Travel	8 890 299	10 094 964
Other	36 351 763	41 833 308

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:

	2018 R	2017 R
Clinical Trials Unit	1 123 677	1 955 895
Magee Women's Research Institute	698 623	1 256 080
HVTN702	1 312 892	559 198
CAP084	4 373 148	6 066 192
Other	7 146 445	6 960 955
Total indirect costs	14 654 785	16 798 320

Summary of indirect costs

	2018 R	2017 R
CAPRISA administration and finance related expenses	14 654 785	16 798 320
Total indirect costs	14 654 785	16 798 320

3. Finance income

	2018 R	2017 R
Interest received - bank	2 465 710	2 563 920
Interest received - financial investments	444 785	536 712
	2 910 495	3 100 632

4. Other income

	2018 R	2017 R
Sundry income	1 882 878	2 578 009
Foreign exchange gain	2 895 698	2 450 073
Dividend income	656 358	419 437
	5 434 934	5 447 519

5. Property, plant and equipment

	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**
- 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**

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

5. Property, plant and equipment (continued)

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Total R
2017				
Beginning of year cost	15 188 492	7 978 158	28 074 459	51 241 109
- Accumulated depreciation	(11 210 492)	(2 397 379)	(11 623 427)	(25 231 298)
Net book value	**3 978 000**	**5 580 779**	**16 451 032**	**26 009 811**
- Additions	9 155 733	894 038	7 188 361	17 238 132
- Disposals	-	-	(149 482)	(149 482)
- Cost	-	(290 410)	(1 133 793)	(1 424 203)
- Accumulated depreciation	-	290 410	984 311	1 274 721
Depreciation	(998 181)	(1 584 858)	(4 298 841)	(6 881 880)
Balance at end of year	**12 135 552**	**4 889 959**	**19 191 070**	**36 216 581**
Made up at end 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**

	2018 R	2017 R

6. Trade and other receivables

	2018 R	2017 R
Donor reimbursement receivable	20 515 119	20 042 265
VAT receivable	968 336	220 464
Prepaid expenses	6 336 202	1 291 271
	27 819 657	21 554 000

It should be noted that the entity considers trade and other receivables to be fully recoverable. A provision for doubtful debts is not required as there are no trade receivables

7. Cash and cash equivalents

	2018 R	2017 R
Cash in bank	52 143 808	91 461 536
Cash on hand	210 723	200 626
	52 354 531	91 662 162

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 7 000

	2018 R	2017 R
Restricted cash included within the above balance	**46 280 566**	72 248 340

The following bank balances are held in a foreign currency

	2018 R	2017 R
Amounts held in United States Dollars	78 512	113 854
Amounts held in Euros	959 649	2 283 748

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:

Credit rating	P - 3

8. Financial assets

	2018 R	2017 R
Available for sale investments – listed shares	**17 056 777**	17 798 781

An impairment loss of R 2 859 888 was recognised in the surplus for the current year due to a decline in quoted prices. (2017: R 512 043 gain). A portion of the movement is unrealised as the investments are predominantly in equity instruments which are subject to fluctuations in value. Refer to note 17 for information regarding the fair value measurement of the investment.

Credit rating	P - 3

	2018 R	2017 R

9. Trade and other payables

Trade payables	20 670 449	18 308 811
Accruals	260 180	209 000
Leave pay accrual	2 079 973	2 970 507
Long service award accrual (Current)	370 000	490 000
	23 380 603	21 978 318
Long service award accrual (Non-Current)	5 773 691	6 551 616
	29 159 294	28 529 934

The entity considers an amount of R 5 773 691 (2017: R 6 551 616) of the long service award accrual to be non-current, the remaining portion of R 370 000 (2017: R 490 000) is considered to be a current liability.

10. Amount owing by UKZN

Amount owing by UKZN	**6 033 514**	5 948 861

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

11. Deferred income

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
2018	72 248 340	3 735 758	(29 703 532)	46 280 566
2017	83 373 956	24 016 935	(35 142 551)	72 248 340

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

12. Taxation

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

13. Financial instruments

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

13.1 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.

13.2 Classification of financial instruments

	Loans and receivables 2018 R	Loans and receivables 2017 R
Current assets		
Trade and other receivables	27 819 657	21 554 000
Cash and cash equivalents	52 354 531	91 662 162
Current account- related party	6 033 514	5 948 861
Total	86 207 702	119 165 023

	Financial liability at amortised cost 2018 R	Financial liability at amortised cost 2017 R
Current liabilities		
Trade payables and accruals	20 930 630	18 517 811
Deferred income	46 280 566	72 248 340
Total	67 211 196	90 766 151

	Financial assets at fair value through profit or loss 2018 R	Financial assets at fair value through profit or loss 2017 R
Financial assets – Investment in shares	17 056 777	17 798 781

14. Financial risk management

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

14. Financial risk management (continued)

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.

Market risk

The company activities are exposed primarily to foreign exchange, price risk on it's investment in shares and cash flow interest rate risk. Although the company's cash flows are exposed to movements in key input and output prices, such movements represent economic rather than residual financial risk inherent in commodity payables and receivables. These risks are actively monitored on a continuous basis and managed. Refer to the sections below for information on how these risks are managed.

Exchange rate risk

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

Foreign currency sensitivity analysis

Foreign exchange risk sensitivity analysis has been performed on the foreign currency exposures inherent in the company's financial assets and financial liabilities at the reporting dates presented. The sensitivity analysis provides an indication of the impact on the company's reported earnings of reasonably possible changes in the currency exposures embedded within the functional currency environments that the company operates in. Reasonably possible changes are based on an analysis of historic currency volatility, together with any relevant assumptions regarding near term future volatility. A 10% weakening of the Rand against the US Dollar would have increased the surplus by R 110 701 (2017: 138 315). A 10% weakening of the Rand against the Euro would have increased the surplus by R 1 573 824 (2017: 3 357 108). The calculations below are performed under the assumption that all other variables remain constant.

14. Financial risk management (continued)

	2018 R	2017 R
Foreign Denominated balances:		
ABSA USD CFC Account balance:	78 512	113 953
Exchange rate at year end	14.41	12.35
10% change in exchange rate	1.41	1.23
Impact on total comprehensive surplus	110 701	138 315
ABSA EURO CFC Account balance:	959 649	2 283 747
Exchange rate at year end	16.48	14.79
10% change in exchange rate	1.64	1.47
Impact on total comprehensive surplus	1 573 824	3 357 108

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.

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.

14. Financial risk management (continued)

Management of cash and cash equivalents (continued)

Net variable rate debt sensitivity analysis

Cash flow interest rate risk exposures and sensitivities		
Total debt	23 899 731	28 529 934
Less: Cash and cash equivalents and financial assets	(52 354 531)	(91 662 162)
Net variable rate exposure	(28 454 800)	(63 132 228)
Interest income per statement of comprehensive income	2 910 495	3 100 632
Net variable rate exposure	28 454 800	63 132 228
Effective rate	10.2%	4.91%
Therefore a 1% movement would impact the statement of comprehensive income by	284 548	631 322

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

	2018 R	2017 R
Equity investments as per the statement of financial position	17 056 778	17 798 781
Therefore a 1% movement would result in an increase/decrease in value of	170 568	177 988

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.

14. Financial risk management (continued)

	2018 R	2017 R
Exposure to credit risk		
Trade and other receivables	27 819 657	21 554 000
Cash and cash equivalents	52 354 531	91 662 162
Current account - related party	6 033 514	5 948 861
Financial assets - Investments	17 056 778	17 798 781
	103 264 480	136 963 804

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
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
2017				
Financial assets				
Trade and other receivables	21 554 000	-	-	21 554 000
Cash and cash equivalents	91 662 162	-	-	91 662 162
Current account - related party	-	5 948 861	-	5 948 861
Financial assets - Investments	-	17 798 781	-	17 798 781
Financial liabilities				
Deferred grant income	-	72 248 340	-	72 248 340
Trade and other payables	18 308 811	3 669 507	6 551 616	28 529 934

	2018 R	2017 R
15. Cash generated from operations		
Total comprehensive surplus	450 112	3 820 792
Adjusted for non-cash items:		
Impairment loss/ (fair value gain) on investment in shares	2 859 888	(512 043)
(Profit)/Loss on sale of asset	(19 144)	149 482
Depreciation (net of change in estimate)	8 664 011	6 881 880
	11 954 867	10 340 111
Adjusted for separately distributable		
- Finance income	(2 910 495)	(3 100 632)
- Foreign exchange (gain)	(1 789 294)	(619 218)
- Dividend income	(656 358)	(419 437)
Changes in working capital		
(Increase)/Decrease in receivables	(6 265 657)	10 883 498
Increase in payables	624 360	7 867 343
Cash generated from operations	957 423	24 951 665

16. Sustainability Reserve and Accumulated funds

During the previous year, the sustainability reserve was created which represents the entity's surplus funds set aside to be utilised for future overheads in the ordinary course of business that will not be recovered via grant income. The movement in the current year is R 531 666 (2017: R 1 582 564).

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

17. Fair values of financial assets and liabilities

At 31 December 2017

	Level 1 R	Level 2 R	Total R
Financial assets measured at fair value			
- Financial assets - investments	17 798 781	-	17 798 781
Total financial assets measured at fair value	17 798 781	-	17 798 781

At 31 December 2018

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:

17. Fair values of financial assets and liabilities(continued)

- 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.

18. Related parties

Related party transactions

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

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

In the current year, CAPRISA also committed R 1 000 000 (2017 R 999 996) in rental expenses to UKZN. An amount of R 6 033 514 is owing from UKZN (refer note 10). An amount of R 10 000 000 is owing to UKZN as the entity is obligated to pay advanced rental for future years.

Key Management

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

19. Directors' remuneration

	2018 R	2017 R
Prof SS Abdool Karim		
- Salary	817 560	749 392
- Bonus	312 869	-
- Allowances	1 435 918	1 392 152
	2 566 347	2 141 544
Dr Nesri Padayatchi		
- Salary	1 190 302	881 342
- Bonuses	42 855	192 357
- Allowances	273 607	304 352
	1 506 764	1 378 051
Dr Kogieleum Naidoo		
- Salary	1 139 596	293 332
- Bonuses	291 818	106 333
- Allowances	198 875	80 091
	1 630 289	479 756
Prof Q Abdool Karim		
- Salary	938 880	469 440
- Bonuses	365 400	395 313
- Allowances	873 967	445 286
	2 178 247	1 310 039
Total directors' remuneration	7 881 647	6 910 539

20. Events subsequent to year end

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

21. Going concern

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

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

DETAILED INCOME STATEMENT, OPERATING EXPENSES AND SUPPORT GRANTED
for the year ended 31 December 2018

	2018 R	2017 R
Income		
Grants received	254 072 727	254 075 988
Interest	2 910 495	3 100 632
Fair Value Gain	-	512 043
Forex Gain	2 895 698	2 450 073
Sundry Income	2 539 234	2 485 402
	262 418 153	262 624 138
***Expenses and transfers**	261 436 374	260 385 910
Audit fees	1 531 264	1 692 923
Chemicals and gases	95 517	1 705 257
Computer supplies	2 672 945	3 410 526
Depreciation	8 664 011	6 881 880
Directors remuneration	7 881 647	6 910 539
Electricity	200 643	134 021
Fellowships	7 089 144	8 142 444
(Decrease)/Increase in leave pay accrual	(890 534)	898 089
(Decrease)/Increase in long service accrual	(897 925)	1 649 347
(Decrease)/Increase in indefinite contract	(531 666)	1 582 564
Insurance	896 620	958 616
Investment management fee	309 020	304 461
Impairment loss on investment	2 859 888	-
Laboratory costs	28 347 211	32 550 240
Legal and other professional fees	8 051 522	9 761 102
Meeting costs	2 313 973	2 675 172
Participant refreshments	458 988	439 726
Participant reimbursements	3 000 819	2 713 137
Recruitment costs	497 175	694 992
Rental – buildings	1 692 720	1 420 991
Rental – office equipment	924 888	509 281
Repairs and maintenance	4 431 754	5 963 917
Salaries	111 465 338	100 478 023
Security	1 253 444	1 146 989
Stationery and printing	1 918 326	2 817 084
Subcontract costs	44 066 886	40 769 179
Subscriptions	2 519 953	2 466 576
Sundry expenses	6 735 464	8 269 606
Telephone, postage and courier	3 979 986	2 443 177
Toxic waste disposal	239 210	69 403
Training and development	688 044	682 202
Travel	8 890 299	10 094 964
Loss on sale of asset	79 800	149 482
Net surplus for the year	981 779	2 238 228

*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.