CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC

FINANCIAL STATEMENTS
for the year ended 31 December 2020

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 2020 Dr K Naidoo (Director: CAPRISA) Dr N Padayatchi- (Director: CAPRISA) Prof ST Harrison (University of Cape Town) 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 S Panday 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.

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 31 December 2020

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 2020 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 30, which have been prepared on the going concern basis, were approved by the board on 26 MAY 2021 and is signed on its behalf by:

Professor SS Abdool Karim

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 R6,855,598 (2019: R2 773 044).

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 note 20 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.

Independent auditor's report

To the Members 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 2020, 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 30 comprise:

- the statement of financial position as at 31 December 2020;
- 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 corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

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 2020", 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.

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

28 May 2021

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 2020

	Notes	2020 R	2019 R
ASSETS			
Non-current assets			
Property, plant and equipment	5	39 997 655	44 398 579
Current assets			
Financial assets - Investments	8	42 477 268	45 546 829
Trade and other receivables	6	28 426 231	12 877 273
Current account - related party	10	-	5 369 835
Cash and cash equivalents	7	103 476 788	33 557 599
		174 380 287	97 351 536
TOTAL ASSETS		214 377 942	141 750 115
EQUITY AND LIABILITIES			
Funds		86 063 856	73 520 447
Accumulated funds	17	77 654 037	65 161 030
Sustainability reserve	17	8 409 819	8 359 417
Non-current liabilities			
Trade and other payables	9	3 848 534	3 853 256
Lease liability	12	-	935 322
Current liabilities			
Trade and other payables	9	6 782 563	18 846 103
Deferred income	11	116 785 282	43 554 442
Lease liability	12	897 707	1 040 545
TOTAL LIABILITIES		128 314 086	68 229 668
TOTAL EQUITY AND LIABILITIES		214 377 942	141 750 115

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	2020 R	2019 R
Revenue		**211 902 767**	205 943 165
Operating expenses	**2**	**(209 920 836)**	(210 481 281)
Operating surplus/(deficit) for the year	**2**	**1 981 931**	(4 538 116)
Other income	**4**	**9 264 609**	1 907 801
Finance income	**3**	**5 270 766**	3 333 777
Foreign exchange loss		**(3 643 237)**	(1 052 299)
Finance costs	**3**	**(330 660)**	(436 293)
Total surplus and comprehensive income for the year		**12 543 409**	(785 130)
Transferred to sustainability reserve		**(50 402)**	(307 613)
Increase/(decrease) in accumulated funds balance		**12 493 007**	(1 092 743)

CENTRE FOR THE AIDS PROGRAMME OF RESEARCH IN SOUTH AFRICA NPC
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(Non-Profit Company)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Sustainability Reserve R	Accumulated Funds R	Total R
Balance at 1 January 2020	**8 359 417**	**65 161 030**	**73 520 447**
Total surplus and comprehensive income for the year	-	12 543 409	12 543 409
Transfer to Sustainability Reserve	50 402	(50 402)	-
Balance at 31 December 2020	**8 409 819**	**77 654 037**	**86 063 856**

STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	2020 R	2019 R
Cash flows from operating activities			
Cash (utilised in)/generated by operations	**16**	**(5 114 128)**	12 658 209
Interest received		**5 270 766**	3 333 777
Finance costs paid		**(330 660)**	(436 293)
Net cash (outflow)/inflow from operating activities		**(174 022)**	15 555 693
Cash flows from investing activities			
Proceeds on sale of assets		**-**	250 177
Acquisition of property, plant and equipment		**(6 855 598)**	(2 773 044)
Dividend income		**-**	990 459
Sale of investments		**3 069 561**	(28 547 866)
Net cash outflow from investing activities		**(3 786 037)**	(30 080 274)
Cash flows from financing activities			
Increase in donor funds received in advance		**103 917 733**	26 838 004
Increase in Grants utilised		**(30 686 893)**	(29 564 128)
Principal element of lease payment		**(1 078 160)**	(1 157 607)
Decrease current account-related party		**5 369 835**	663 679
Net cash inflow/(outflow) from financing activities		**77 522 515**	(3 220 052)
Net increase/(decrease) in cash and cash equivalents		**73 562 456**	(17 744 633)
Cash and cash equivalents at beginning of year		**33 557 599**	52 354 531
Foreign exchange gain/(loss)		**(3 643 267)**	(1 052 299)
Cash and cash equivalents at end of year	**7**	**103 476 788**	33 557 599

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. 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 judgements, 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.

Judegments

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.

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 IFRS 9: Financial Instruments.

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

At the date of authorisation of the financial statements for the year ended 31 December 2020, the following Standards and Interpretations applicable to the company were in issue but not yet effective. None of the standards issued and effective in future years is expected to have a direct impact on the statement of financial position:

Number	Effective date	Executive summary
IFRS 17	2023 year end	Insurance Contracts
IFRS 10 and IAS 28 (amendments)	N/A- to be announced	Sale or Contribution of Assets between an investor and its Associate or Joint Venture
Amendments to IAS 1	2022 year end	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	2022 year end	Reference to the Conceptual Framework
Amendments to IAS 16	2022 year end	Property, Plant and Equipment Proceeds before Intended Use
Amendments to IAS 37	2022 year end	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS	2022 year end	Amendments to IFRS 1, First-time Adoption of International Financial Reporting IFRS 9 Financial Instruments, IFRS 16 Leases,

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods. The above standards have not been adopted by the Company in the 2020 financial year.

	2020 R	2019 R
2. Operating surplus/(deficit) for the year		
Operating deficit for the year is arrived at after taking into account the following items:		
Salaries	**99 363 299**	97 367 427
Directors remuneration	**9 264 980**	8 907 512
Auditors' remuneration		
- External and donor audits	**733 328**	705 834
Legal and other professional fees	**6 125 599**	3 785 257
Repairs and maintenance	**5 200 858**	4 658 655
Depreciation	**11 221 684**	13 023 046
Operating lease costs- office equipment	**810 987**	687 562
Operating lease costs- buildings	**608 961**	518 802
Lab costs	**23 428 021**	21 162 705
Subcontract costs	**25 472 066**	22 342 236
Travel	**1 452 402**	6 279 910
Other	**29 723 447**	31 042 425
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	**2 060 629**	2 181 222
CAP018	**3 537 680**	3 259 805
HVTN702	**490 697**	1 584 856
CAP012	**3 960 600**	3 198 314
Other	**9718 663**	6 452 070
Total indirect costs	**19 768 269**	16 676 267
Summary of indirect costs		
CAPRISA administration and finance related expenses	**19 768 269**	16 676 267
3. Net Finance income		
Finance Income		
Interest received - bank	**2 104 969**	3 048 559
Interest received – financial investments	**3 165 797**	285 218
	5 270 766	3 333 777
Finance costs – lease liability	**(330 660)**	(436 293)
	4 940 106	2 897 484
4. Other income		
Sundry income	**9 264 609**	917 342
Dividend income	**-**	990 459
	9 264 609	1 907 801

5. Property, plant and equipment

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Laboratory Equipment R	Right of Use Asset R	Total R
2020						
Beginning of year cost	37 789 946	8 663 083	17 172 839	20 514 270	11 633 474	95 773 612
- Accumulated depreciation	(18 508 297)	(7 022 778)	(12 464 415)	(10 753 905)	(2 625 638)	(51 375 033)
Net book value	19 281 649	1 640 305	4 708 424	9 760 365	9 007 836	44 398 579
- Additions	2 694 851	242 605	1 705 120	2 213 022	-	6 855 598
- Disposals	-	(4 715)	(30 123)	-	-	(34 838)
- Cost	-	(1 428 123)	(114 604)	-	-	(1 542 727)
- Accumulated depreciation	-	1 423 408	84 481	-	-	1 507 889
Depreciation	(4 234 876)	(1 039 518)	(2 544 880)	(1 648 493)	(1 753 917)	(11 221 684)
Balance at end of year	17 741 624	838 677	3 838 541	10 324 894	7 253 919	39 997 655
Made up at end of year						
- Cost	40 484 797	7 477 565	18 763 355	22 727 292	11 633 474	101 086 483
- Accumulated depreciation	(22 743 173)	(6 638 888)	(14 924 814)	(12 402 398)	(4 379 555)	(61 088 828)
Net book value	17 741 624	838 677	3 838 541	10 324 894	7 253 919	39 997 655

5. Property, plant and equipment (continued)

	Leasehold Improvements R	Motor vehicles R	Furniture and equipment R	Laboratory Equipment R	Right of Use Asset R	Total R
2019						
Beginning of year cost	37 068 309	8 944 304	16 844 530	20 623 103	-	83 480 246
- Accumulated depreciation	(14 483 181)	(5 462 392)	(9 469 253)	(9 042 816)	-	(38 457 643)
Net book value	22 585 128	3 481 912	7 375 277	11 580 287	-	45 022 604
-Transfer to Right of Use Asset	-	-		(1 792 083)	1 792 083	-
- Additions	721 637	-	368 158	1 683 250	9 841 391	12 614 436
- 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)	(3 011 766)	(1 711 089)	(2 625 638)	(13 023 047)
Balance at end of year	19 281 649	1 640 305	4 708 424	9 760 365	9 007 836	44,398,579
Made up at end of year						
- Cost	37 789 946	8 663 083	17 172 839	20 514 270	11 633 474	95 773 612
- Accumulated depreciation	(18 508 297)	(7 022 778)	(12 464 415)	(10 753 905)	(2 625 638)	(51 375 033)
Net book value	19 281 649	1 640 305	4 708 424	9 760 365	9 007 836	44 398 579

	2020 R	2019 R

6. Trade and other receivables

	2020 R	2019 R
Donor reimbursement receivable	**23 531 470**	10 841 032
VAT receivable	**3 807 595**	954 602
Prepaid expenses	**1 087 166**	1 081 639
	28 426 231	12 877 273

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

	2020 R	2019 R
Cash in bank	**103 128 194**	33 395 131
Cash on hand	**348 594**	162 468
	103 476 788	33 557 599
Cash related to deferred income included in above	**73 230 840**	43 554 442

The following bank balances are held in a foreign currency:

	2020 R	2019 R
ZAR Amounts held in United States Dollars	**3 567 491**	24 527
ZAR Amounts held in Euros	**50 040 215**	164 039

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

	2020 R	2019 R

8. Financial assets

Fixed deposits	**42 477 268**	45 546 829

Fixed deposits are held for a maximum term of one year

Credit rating		P – 3

9. Trade and other payables

Trade payables	**5 228 215**	16 371 614
Accruals	**311 360**	311 360
Leave pay accrual	**1 102 988**	1 683 129
Long service award accrual (Current)	**140 000**	480 000
	6 782 563	18 846 103
Long service award accrual (Non-Current)	**3 848 534**	3 853 257
	10 631 097	22 699 360

10. Amount owing by UKZN

Amount owing by UKZN	**-**	5 369 835

This amount was interest-free and unsecured with no fixed terms of repayment.

11. Deferred income

	Opening Balance R	Donor Funds Received R	Grants Utilised R	Closing Balance R
2020	**43 554 442**	**103 917 733**	**(30 686 893)**	**116 785 282**
2019	46 280 566	26 838 004	(29 564 128)	43 554 442

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.

	2020 R	2019 R
12. Leases		
Lab Equipment	**897 707**	1 975 867
Lease liability balance at beginning of the year	**1 975 867**	-
New leases raised	**-**	3 133 474
Finance cost – Lease liabilities	**330 660**	436 293
Lease payments	**(1 408 820)**	(1 593 900)
	897 707	1 975 867
The above balances have been disclosed in the Statement of Financial Position as follows:		
Current lease liability	**897 707**	1 040 545
Non-current lease liability	**-**	935 322
	897 707	1 975 867

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.

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 2020 R	Loans and receivables 2019 R
Current assets		
Trade and other receivables	**28 426 231**	12 877 273
Cash and cash equivalents	**103 476 788**	33 557 599
Current account- related party	**-**	5 369 835
Total	**131 903 019**	51 804 707

	Financial liability at amortised cost 2020 R	Financial liability at amortised cost 2019 R
Current liabilities		
Trade payables and accruals	**5 228 215**	16 682 974
Deferred income	**116 785 282**	43 554 442
Total	**122 013 497**	60 237 416

	Financial assets at fair value through profit or loss 2020 R	Financial assets at fair value through profit or loss 2019 R
Financial assets	**42 477 268**	45 546 829

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.

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.

15. Financial risk management (continued)

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 (2019: 110 701). A 10% weakening of the Rand against the Euro would have decreased the deficit by R257 541 (2019: 1 573 824).

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

Foreign Denominated balances:	**2020** **R**	**2019** **R**
ABSA USD CFC Account balance:	**3 567 491**	24 527
Exchange rate at year end	**14.64**	14.05
10% change in exchange rate	**1.46**	1.40
Impact on total comprehensive surplus	**5 208 537**	34 337
ABSA EURO CFC Account balance:	**50 040 215**	164 039
Exchange rate at year end	**17.98**	15.73
10% change in exchange rate	**1.80**	1.57
Impact on total comprehensive surplus	**90 072 387**	257 541

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.

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

	2020 R	2019 R
Cash flow interest rate risk exposures and sensitivities		
Total debt	**124 465 552**	68 229 668
Less: Cash and cash equivalents	**(103 476 788)**	(33 557 599)
Less: Investments	**(42 477 268)**	(45 546 829)
Net borrowings	**(21 488 504)**	(10 874 760)
Interest income per statement of comprehensive income	**5 270 766**	3 333 777
Net variable rate exposure	**(21 488 504)**	(10 874 760)
Effective rate	**24.5%**	30.7%
Therefore a 1% movement would impact the statement of comprehensive income by	**214 885**	108 748

Price risk

The company's is not exposed to any price risk.

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.

	2020 R	2019 R
Exposure to credit risk		
Trade and other receivables	**28 426 231**	12 877 273
Cash and cash equivalents	**103 476 788**	33 557 599
Current account - related party	**-**	5 369 835
Financial assets - Investments	**42 477 268**	45 546 829
	174 380 287	97 351 536

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; and represent undiscounted cash flows:

	<Between 1 – 3 months R	<1 year R	> 1 year R	Total R
2020				
Financial assets				
Trade and other receivables	**28 426 231**	**-**	**-**	**28 426 231**
Cash and cash equivalents	**103 476 788**	**-**	**-**	**103 476 788**
Financial Assets - Investments	**-**	**42 477 268**	**-**	**42 477 268**
Financial liabilities (undiscounted)				
Deferred grant income	**-**	**116 785 282**	**-**	**116 785 282**
Lease Liability		**897 707**		**897 707**
Trade and other payables	**5 228 215**	**1 242 988**	**3 988 534**	**10 459 737**

15. Financial risk management (continued)

	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 (undiscounted)				
Deferred grant income	-	43 554 442	-	43 554 442
Lease liability	-	935 322	1 040 545	1 975 867
Trade and other payables	16 682 974	2 163 129	3 853 256	22 699 359

16. Cash generated from operations

	2020 R	2019 R
Total comprehensive (deficit)/surplus	**12 543 409**	(785 130)
Adjusted for:		
Impairment loss on investment in shares	**-**	57 815
(Profit)/Loss on sale of asset	**34 838**	(34 765)
Depreciation	**11 221 684**	13 023 047
Finance income	**(5 270 766)**	(3 333 777)
Finance costs	**330 660**	436 293
Foreign exchange (gain)/loss	**3 643 267**	1 052 299
Dividend income	**-**	(990 459)
	22 503 092	9 425 323
Changes in working capital		
(Increase) /Decrease in trade and other receivables	**(15 548 958)**	9 687 821
(Decrease) in trade and other payables	**(12 068 262)**	(6 454 935)
Cash (utilised)/generated from operations	**(5 114 128)**	12 658 209

17. Sustainability Reserve and Accumulated funds

The sustainability reserve 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 R50 402 (2019: R 307 613).

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

	2020 R	2019 R

18. Related parties

Related party transactions

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

Balance receivable from related parties

	2020 R	2019 R
UKZN	**-**	5 369 835

19. Directors' remuneration

	2020 R	2019 R
Prof SS Abdool Karim		
- Salary	**865 099**	991 455
- Bonus	**591 937**	336 878
- Allowances	**1 630 625**	1 584 441
	3 087 661	2 912 774
Dr Nesri Padayatchi		
- Salary	**1 195 487**	1 211 190
- Bonuses	**249 598**	240 645
- Allowances	**357 258**	287 494
	1 802 343	1 739 329
Dr Kogieleum Naidoo		
- Salary	**1 166 965**	1 188 468
- Bonuses	**546 949**	517 767
- Allowances	**217 923**	228 218
	1 931 837	1 934 454
Prof Q Abdool Karim		
- Salary	**1 150 268**	1 028 552
- Bonuses	**446 170**	445 743
- Allowances	**846 699**	846 660
	2 443 137	2 320 955
Total directors' remuneration	**9 264 978**	8 907 512

20. Covid-19 Impact

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.

21. Subsequent Events

No events, which have a material effect on the company's financial affairs, has occurred between the reporting date and the date of approval of the financial statements.