

# Financial Summary



## Annual Report 2010

## Composition of Income - EDCTP 2009/2010

Incoming Resources	2010 €000's	2009 €000's
EC Income Cash	30,620	56,751 *
Third Party & Member State Income - Cash	7,562	4,418
Third Party & Member State Income - In kind & Direct	20,819	20,459
<b>Total donor income</b>	<b>59,001</b>	<b>81,628</b>
Finance income (Interest)	1,086	2,903
<b>Total Income</b>	<b>60,087</b>	<b>84,531</b>

\*Accounting policy change

In 2010 EDCTP, reviewed the accounting policy adopted in relation to outstanding EC funding for grant agreements that EDCTP has signed and entered into. This review and change in accounting policy was made in respect of the following reasons. Firstly, during 2010 a second no-cost extension was signed between EDCTP and the EC for a period of 5 years up until 15 May 2015. Secondly, in 2010, EDCTP was requested by the EC to start to prepare a business plan for EDCTP-II to send to the Council and EU Parliament for co-decision in 2012. The increased certainty regarding the continued existence and future funding of EDCTP by the EC well beyond 2015 means that EDCTP can reasonably expect to receive the remaining funding from the €200 M Grant Agreement signed in 2003 with a high degree of assurance. As a result of this, EDCTP has changed the accounting policy with respect to EC grant funding receivable by EDCTP in respect of grants which it has awarded. Previously, EDCTP had recognised future grant income from the EC for these grants as a contingent asset rather than as a debtor, because of the element of uncertainty of future EC funding. As of 2010, the accounting policy has now been changed so that in the year of signing the grant the full value of the EC funding in respect of the grant signed is recognised in that same year's annual accounts, whilst the outstanding balances not yet received are treated as a debtor, rather than as a contingent asset. The practical effect of this accounting change is to fully recognise EC earmarked income and debtors in the years of signing grants.

This change in accounting policy was applied retrospectively for 2009, for the cumulative position as at that time, and the effect for that year was to increase debtors and earmarked reserves in 2009 by €19.35 M, whilst EC donor income in 2009 has been increased by the full amount of the outstanding grant payments for grants awarded by EDCTP up until the end of 2009 (€56.75 M) which had previously been treated as a contingent asset and not recognised until receipt of funds, for more information about this accounting policy change please see the notes to the accounts.

### Cofunding and donor income

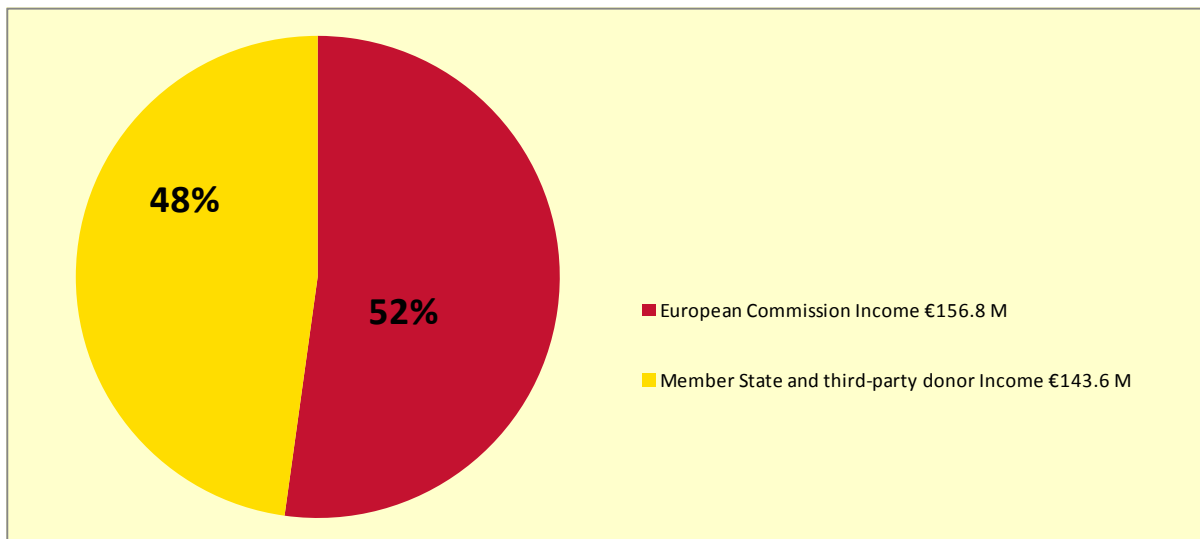
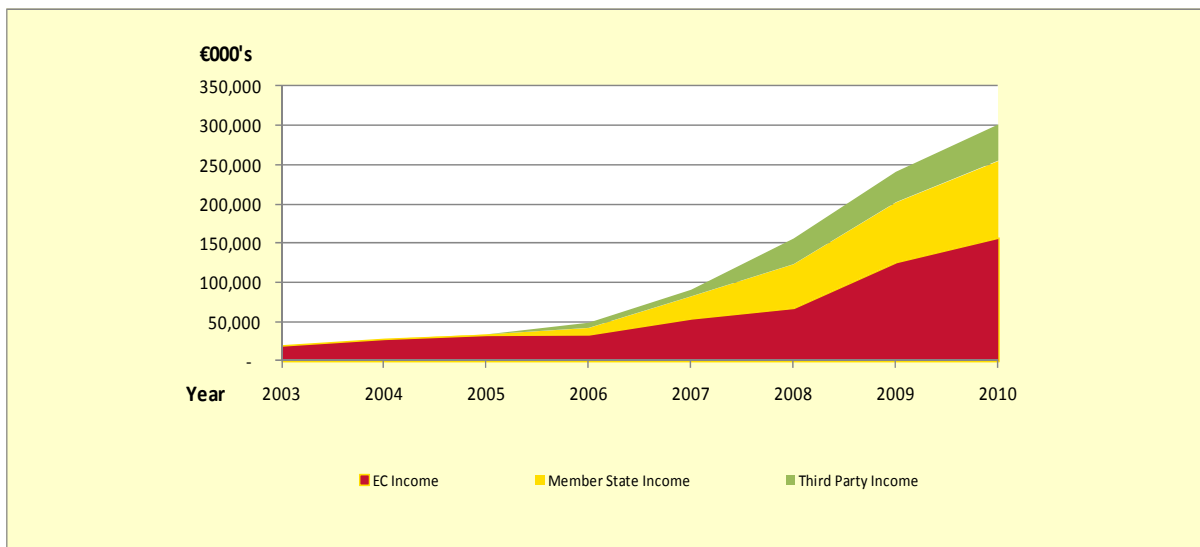
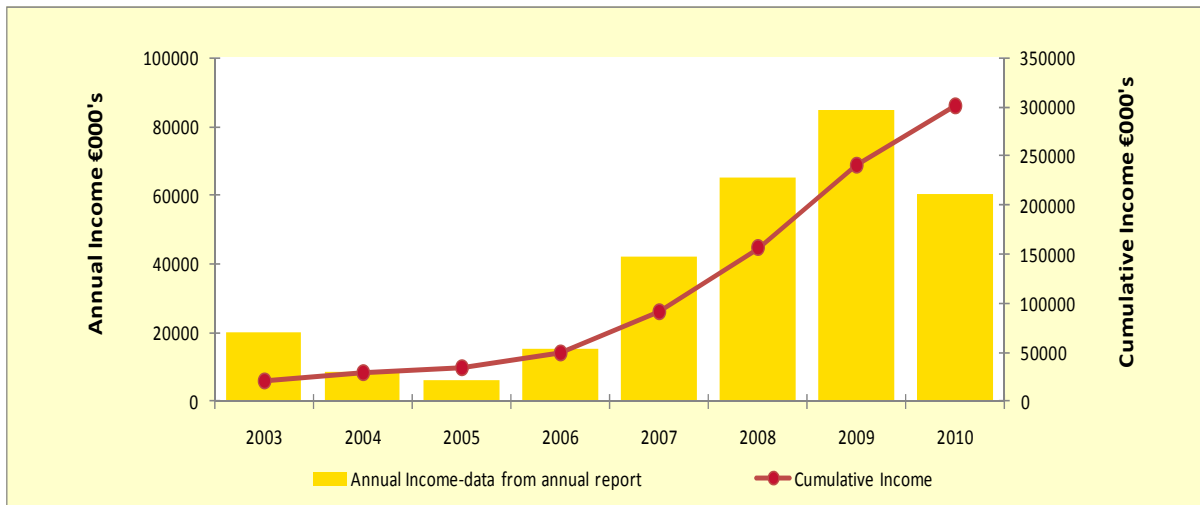
All of the figures quoted in the financial summary and in the accompanying accounts, the sums referred to for donor income, are those specifically that are in relation to activities within the scope of the EDCTP Joint Programme for projects which are funded by EDCTP only.

### Summary

EC donor income reached €30.6 M in 2010, the bulk of which was in respect of new grants awarded by EDCTP. Meanwhile, donor income increased 14% to €28.4 M. Sharply higher cash receipts comprised the bulk of the increase, with the in kind and direct cofunding elements of donor income virtually unchanged on 2009 at €20.8 M. New cash generated from donations received from Member States and Third Parties amounted to €7.6 M (€4.4 M in year 2009) with new cash grants from SIDA and MRC UK being the major constituents of the rise.

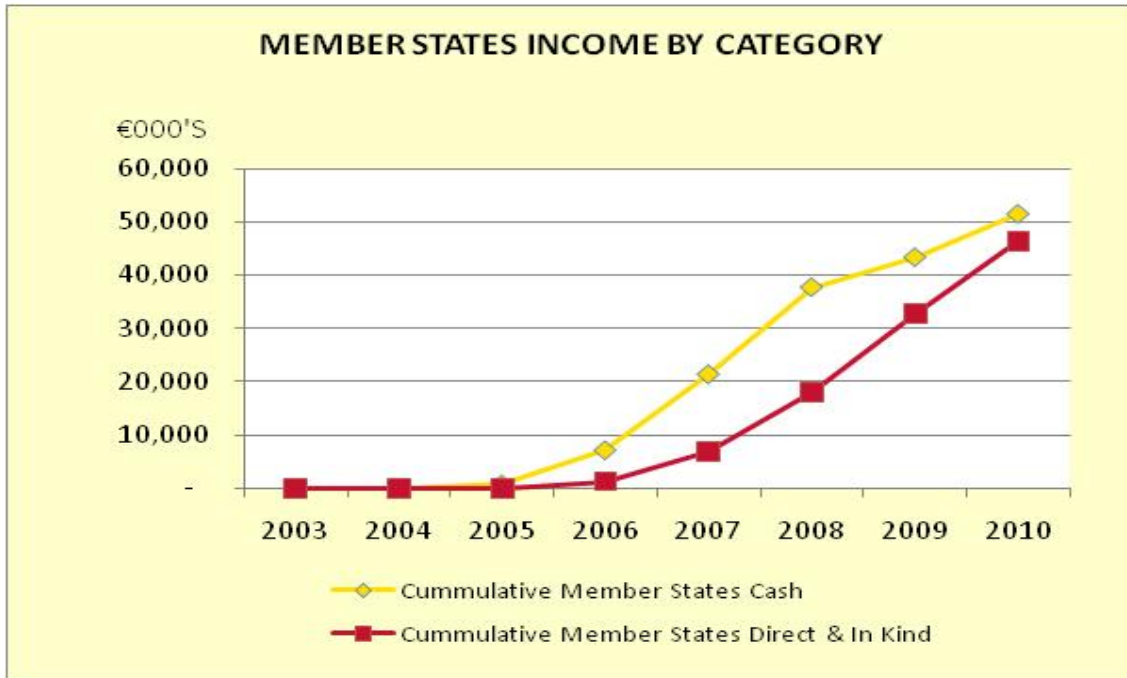
The graphs below shows that total income for the Programme since 2003 has now reached €300.41 M and that from this total €144 M, or 48%, has now been provided by the Member States and Third Parties in the amounts of €98 M and €46 M respectively.

## EDCTP total annual income levels 2003 to 2010 (€000)



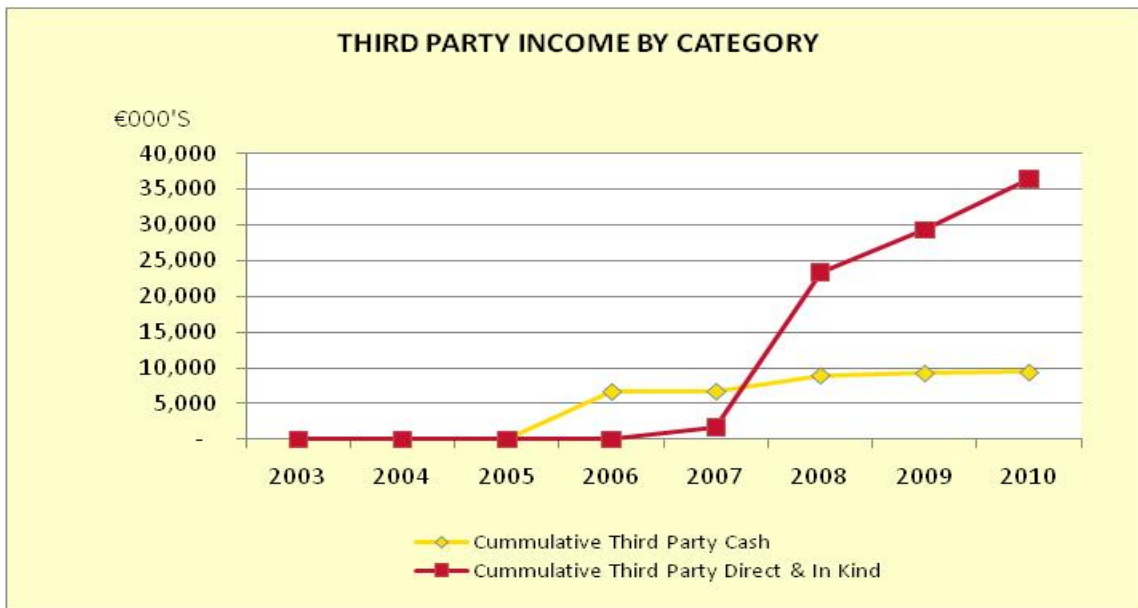
The graphs below illustrate the relative proportions of cofunding split between cash and in-kind/direct for member states and third parties since the start of the project.

### Member States Income by Category



Member State income since 2003 continues to exhibit a strong rising trend with cash continues to exceed direct and in-kind cofunding contributions, although the latter are growing faster than cash contributions and are now almost equal in value. Third Party income has also risen but due almost entirely in 2010 to additional in kind and direct cofunding rises with cash almost at the same levels as 2009 on a cumulative basis. In kind and direct cash contributions significantly exceeds the amount of cash provided to EDCTP for third parties.

### Third Party Income by Category



## Resources expended - EDCTP 2009/2010

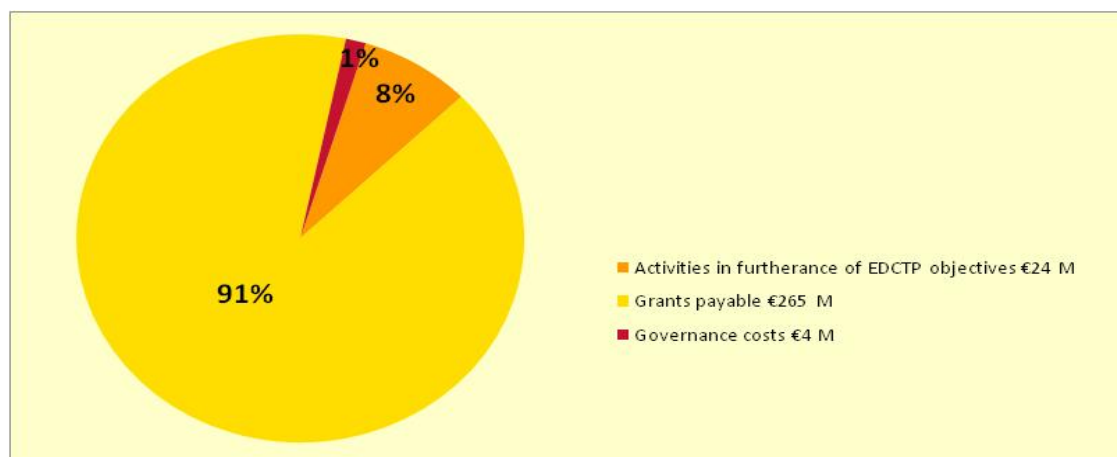
Resources expended	2010 €000's	2009 €000's
Programme activities	3,947	4,351
Grants payable	56,049	100,309
Governance costs	331	653
<b>Total resources expended</b>	<b>60,327</b>	<b>105,313</b>

Total expenditure dropped by 43% compared to 2009 due to the lower value of new grants signed versus the previous year.

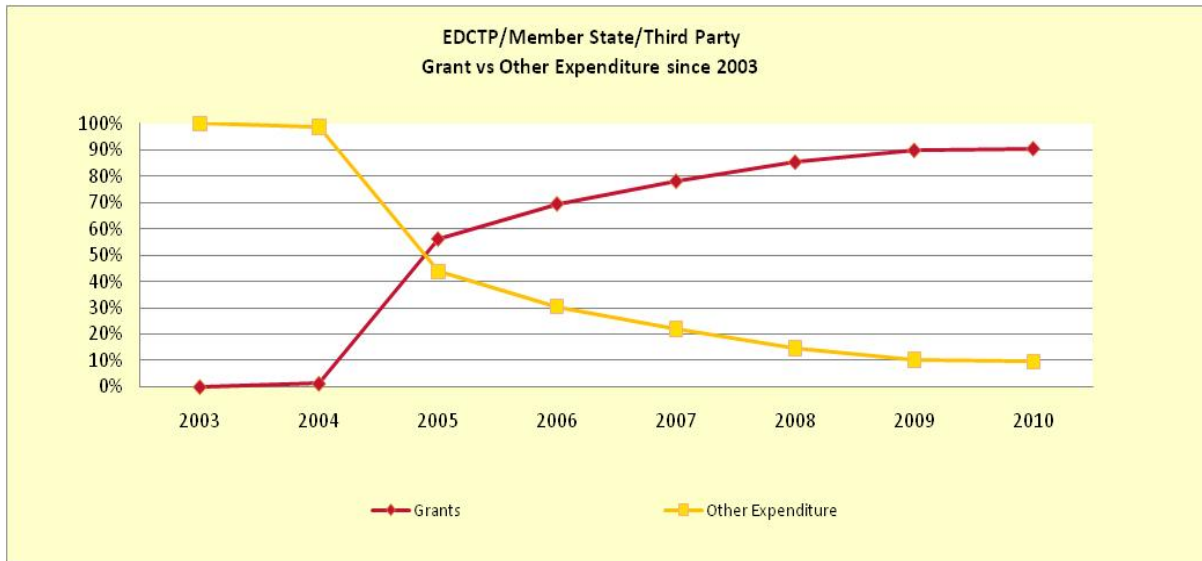
Programme activity costs fell overall by over €0.4 M over the year as costs associated with the previous year's biennial scientific forum and Principle Coordinators meeting in Arusha dropped out of the figures. Governance costs were also lower than last year because of the savings in constituency meeting costs and peer review (Scientific Review Committee). Of the total costs incurred to date grants expenditure now accounts for 91% of the amount as can be seen from the graph below.

Support costs incurred at the Hosting Institutions in The Netherlands and South Africa, which includes the cost of shared staff positions, came in at €0.4 M in the year, a drop of over €0.1 M compared to 2009 helped by rebates received in the year especially at MRC SA.

Staff salary costs for the year were virtually unchanged at €2.7 M compared to €2.6 M in the previous year. The salary increases were offset by several staff leaving the Secretariat during 2010 and the positions were not filled until the next year so this had a downward effect on staff costs for the year.



## Grants vs Other Expenditure since 2003



### Principal funding sources and cash-flow position

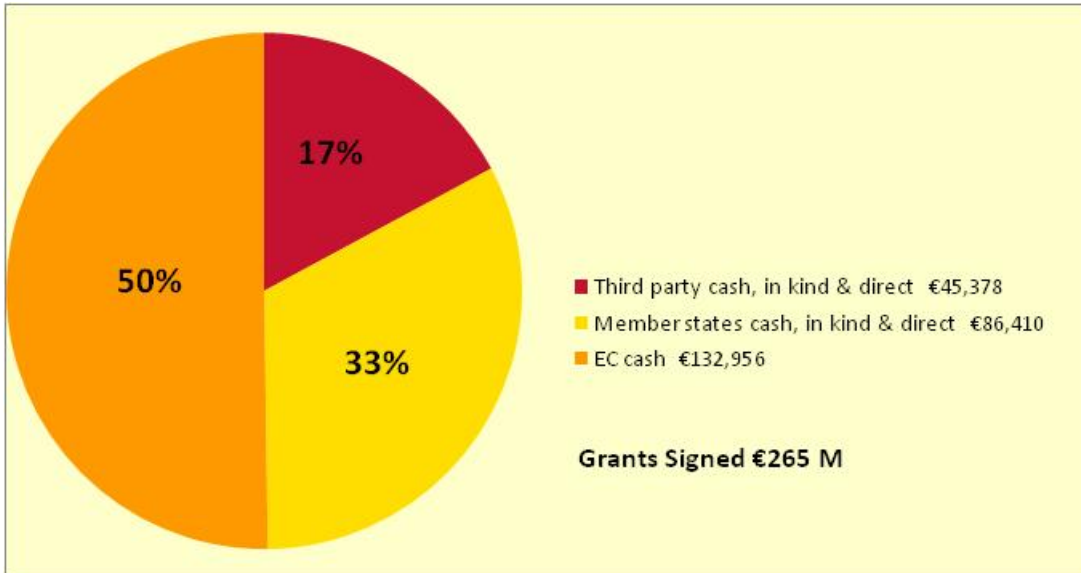
The key facts relating to income received during 2010 by EDCTP and how these funds were composed may be summarised as follows:

- The accounting policy change resulted in an extra €19.35 M of EC donor income being recognised in reserves as per 31 December 2009 in respect of all of the grants which had been signed up to the end of that year and which had previously been treated as a contingent asset.
- Of the €28.4 M contributed by member states and third parties, €20.8 M is in kind and direct cofunding to grantees whilst €7.6 M is paid into EDCTP bank deposits. All of the new cash cofunding came from member states.
- Unallocated donor funds held in cash by the EDCTP and available as co funding for future EDCTP grants, as at 31/12/10 stood at €7.9 M; a decrease of €0.2 M from 2009 as the additional cash funding received in 2010 was offset almost entirely by the cash cofunding requirement for new grants signed in 2010.
- As a result of the change in the accounting policy EC funding as per the balance sheet is in balance with the outstanding liabilities for remaining grant payments for grants awarded by EDCTP. The minor deficits relate to accrued charges.
- EDCTP ended 2010 with €50.4 M in cash and bank balances compared to €64.6 M in 2009. EDCTP has therefore disbursed more in cash than it has received during the year even so EDCTP still has a very strong cash position at the year end and able to comfortably disburse large amounts to grants during the course of 2011 and beyond.
- EDCTP has received significant cash donations on behalf of 4 out of 16 member state donors.
- New cash funding greater than €0.1 M and excluding interest receipts, from member states and third parties during 2010 included the following:
  - €3.4 M grant from MRC UK for HIV treatment clinical trial 2009 calls, TB Drugs 2004 calls and Secretariat project on engagement with Private Sector.
  - €3.2 M from SIDA for future EDCTP calls
  - €0.3 M from SNSF for TB Diagnostics 2009 calls.
  - €0.5 M from NACCAP for TB Diagnostics 2009 calls.

Lower Euro interest rates due to the world economic situation as well as lower average cash deposits over the course of the year led to a drop in finance income of 62% to reach just in excess of €1 M in 2010.

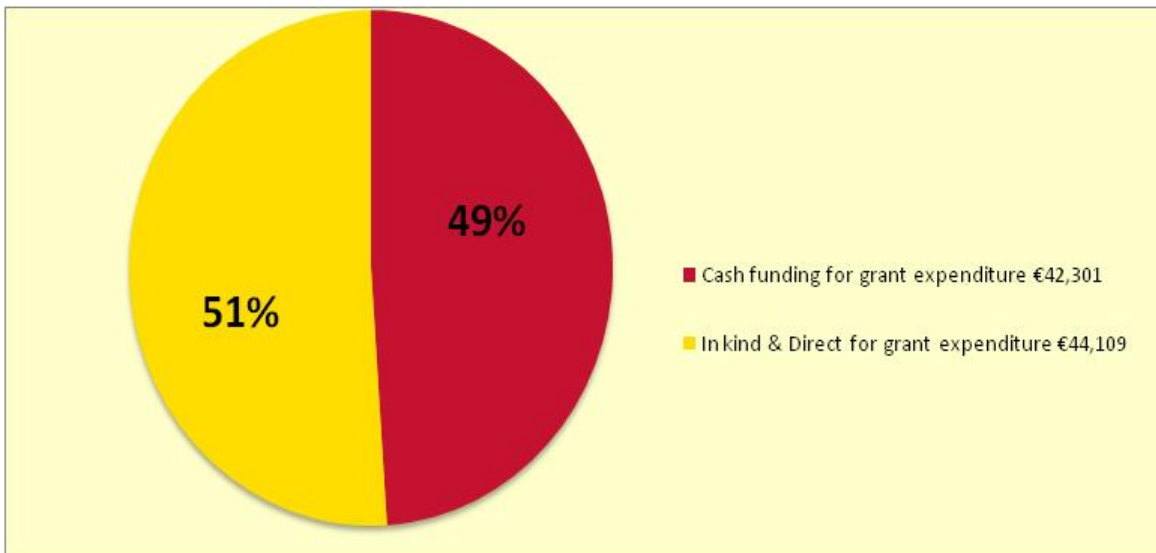
## Funding source for EDCTP grants signed 2003 -2010 (€000's)

EDCTP aims to split the cost of grant expenditure overall, equally between the donors and the EC, and as at the end of 2010, this has now been achieved.

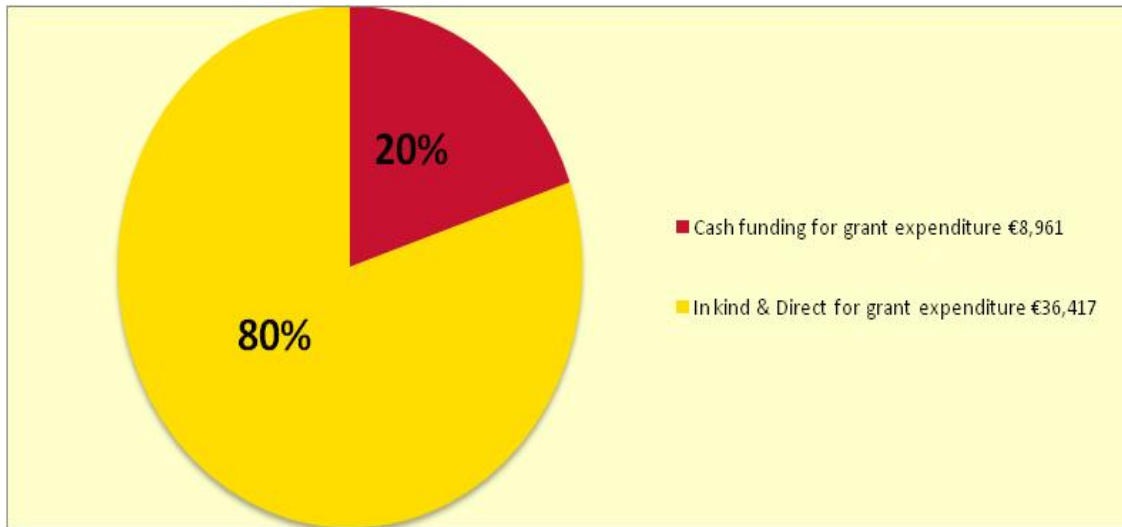


From the amounts provided by the donors shown in the graph above the relative amounts of funding divided between cash and in kind can be seen below. The Member States have achieved a good balance of cash to in kind/direct whilst the Third Parties have provided the majority of their contribution in the form of in kind funding which is usually the cost of drugs and associated costs for the development of clinical trial interventions provided by pharmaceutical organisations.

## Allocation of Member States contributions for grants expenditure (2003-2010) (€000's)



## Allocation of Third Party cofunding contributions for grants expenditure (2003-2010) (€000's)



## Statement of financial activity 2010 (SOFA)

Incoming resources		2010	2009
	Notes	€ 000	€ 000
<b>Incoming resources from generated funds:</b>			
Voluntary & donor income	2	59,001	81,628
Finance income	2,3	1,086	2,903
<b>Total incoming resources</b>	2	60,087	84,531
<b>Resources expended</b>			
Activities in furtherance of EDCTP objects	5	(3,947)	(4,351)
Grants payable	6	(56,049)	(100,309)
Governance costs	7	(331)	(653)
<b>Total resources expended</b>	4	(60,327)	(105,313)
<b>Net income (expenditure) for the year</b>		<b>(240)</b>	<b>(20,782)</b>
<b>Allocations</b>			
Allocated to earmarked funds		(49)	21
Allocated to general funds		0	0
Allocated to restricted funds		(191)	(20,803)
		<b>(240)</b>	<b>(20,782)</b>



## Statement of changes in reserves 2010

	Unrestricted €000's	Earmarked €000's	Restrict ed €000's	Total €000's
Balance as at 1 January 2009	0	(100)	28,948	28,848
Allocation of result for the year	0	21	(20,803)	(20,782)
Balance as at 31 December 2009	0	(79)	8,145	8,066
Allocation of result of the year	0	(49)	(191)	(240)
	15,16,1			
Balance as at 31 December 2010	7	0	7,954	7,826

The statement of financial activities includes all gains and losses recognized in the year. All incoming resources and resources expended derive from continuing activities.

## Statement of financial position as at 31 December 2010

	Notes	2010 € 000	2009 € 000
<b>Assets</b>			
<i>Non-current assets</i>			
Tangible assets	10	0	0
<i>Total non-current assets</i>		0	0
<i>Current assets</i>			
Debtors	11	39,516	23,422
Cash and Cash equivalents	12	50,405	64,614
<i>Total current assets</i>		89,921	88,036
<b>Total assets</b>		<b>89,921</b>	<b>88,036</b>

### Liabilities and reserves

#### *Liabilities*

##### *Current liabilities*

Creditors: amounts falling due within one year	13	42,009	36,600
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##### *Non-current liabilities*

Creditors: amounts falling due over one year	14	40,086	43,370
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<i>Total liabilities</i>		82,095	79,970
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*Reserves*

Unrestricted reserves

General funds	15	0	0
Earmarked funds	16	(128)	(79)
Total unrestricted reserves		(128)	(79)

Restricted reserves

Restricted funds	17	7,954	8,145
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*Total reserves*

7,826 8,066

**Total liabilities and reserves**

**89,921 88,036**

Approved by the EDCTP Secretariat on behalf of EEIG General Assembly

Prof. Charles Mgone

Dated 13<sup>th</sup> May 2011

## Statement of cash flow for the year ended 31 December 2010

		2010	2009
	Notes	€ 000	€ 000
<b>Cash flows from operating activities</b>			
Net income for the period		(240)	(20,782)
Adjustments for:			
Depreciation		0	0
Net finance income	3	(1,086)	(2,903)
Change in receivables	11	(16,094)	(53,953)
Change in payables	13,14	2,125	40,099
<b>Net cash from operating activities</b>		<b>(15,295)</b>	<b>(37,539)</b>
<b>Cash flows from investing activities</b>			
Interest received	3	991	2,937
<b>Net cash from investing activities</b>		<b>991</b>	<b>2,937</b>
<b>Net increase in cash and cash equivalents</b>		<b>(14,304)</b>	<b>(34,602)</b>
Cash and cash equivalents at 1 January		64,614	99,250
Effect of exchange rate fluctuations	3	95	(34)
Effect of prior year adjustment		0	0
<b>Cash and cash equivalents at 31 December</b>	12	<b>50,405</b>	<b>64,614</b>

## Notes forming part of the financial statements for the year ended 31 December 2010

### Statement of compliance

The accounts for 2010 have been prepared under international financial reporting standards and are fully compliant with requirements. The financial statements were authorised for issue by the EEIG General Assembly on 13<sup>th</sup> May 2011.

### Basis of measurement

The financial statements have been prepared on the historical cost basis.

## Change in accounting policy

In 2010 EDCTP, reviewed the accounting policy adopted in relation to outstanding EC funding for grant agreements that EDCTP has signed and entered into. This review and change in accounting policy was made in respect of the following reasons. Firstly, during 2010 a second no-cost extension was signed between EDCTP and the EC for a period of 5 years up until 15 May 2015. Secondly, in 2010, EDCTP was requested by the EC to start to prepare a business plan for EDCTP-II to send to the Council and EU Parliament for co-decision in 2012. The increased certainty regarding the continued existence and future funding of EDCTP by the EC well beyond 2015 means that EDCTP can reasonably expect to receive the remaining funding from the €200 M Grant Agreement signed in 2003 with a high degree of assurance. As a result of this, EDCTP has changed the accounting policy with respect to EC grant funding receivable by EDCTP in respect of grants which it has awarded. Previously, EDCTP had recognised future grant income from the EC for these grants as a contingent asset rather than as a debtor, because of the element of uncertainty of future EC funding.

This change in accounting policy was applied retrospectively. The following table summarises the transitional adjustments made to the statement of financial position upon implementation of the new accounting policy:

	Debtors	Earmarked funds / profit or loss
Balance as reported at 1 January 2009	6,870	37,301
Effect of new accounting policy at 1 January 2009	(37,401)	(37,401)
Restated balance at 1 January 2009	(30,530)	(100)

	Debtors	Earmarked funds / profit or loss
Balance as reported at 31 December 2009	4,072	(19,429)
Effect of new accounting policy at 31 December 2009	19,350	19,350
Restated balance at 31 December 2009	23,422	(79)

The effect on the statement of financial activity was as follows:

	2009
Effect on voluntary & donor income	56,751
Effect on profit or loss	56,751

### Note 1 Significant accounting Policies

#### (a) Grants receivable

Earmarked funds:

Grants receivable are credited to the Statement of Financial Activities (SOFA) at the time of they are originated (i.e. at the time of awarding the grants payable).

Restricted funds:

Restricted funds represent amounts received for future periods. Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

#### (b) Cofunding and other income receivable

Other voluntary income including donations is recognised when there is a certainty of receipt and the amount can be measured with sufficient reliability. Cofunding is included from member states where the

contribution is either directly to EDCTP or to an EDCTP project and can be either cash or in kind. The value of the direct cash to grantee and in kind contributions are taken from the annual signed certificates sent to EDCTP after the year end. The effect on the financial statements is neutral as the income is offset by an equal charge for the relevant category of cost concerned. (See note 2c below).

**(b) Grants payable**

The full amounts of all grants awarded by EDCTP are charged to the SOFA in the year in which the grant contract is signed. Amounts payable in respect of future accounting periods are included as liabilities within the balance sheet.

The costs of grants awarded are included within activities in furtherance of EDCTP objects and are separately analysed in note 6 below.

**(d) Investment income and interest receivable**

Interest received on bank deposits is included in the SOFA in the year in which it is receivable.

**(e) Expenditure**

All expenditure is included on an accruals basis, inclusive of any VAT which cannot be recovered, and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resources expended in the SOFA.

**(f) Support costs**

In undertaking activities EDCTP incurs support costs under the hosting agreements signed with NWO and MRC; these are detailed in note 8 below. Support costs are those costs incurred directly in support of expenditure on the objects of the EDCTP.

**(g) Costs of in furtherance of EDCTP object activities**

These are costs which are incurred by EDCTP directly in carrying out its programme and comprise all costs except those of governance and grants. They include both direct and support costs (see note 5 below).

**(h) Costs of governance**

These represent the costs attributable to the strategic planning bodies of the EDCTP; the General Assembly (GA), the Partnership Board (PB) and the Developing Countries Collaborating Committee (DCCC). The European Network of National Programmes (ENNP) was disbanded in 2009 and these were no costs associated with these meetings in year 2010. These costs are not part of the direct management function which is executed by the secretariat, but are derived from the strategic planning exercises for the future development of the EDCTP.

Also included are the costs of generating information required for public accountability such as external audit fees.

No support costs are attributed to the costs of governance.

**(i) Capitalisation and depreciation of tangible fixed assets**

Individual fixed assets costing 5,000 Euro or more are capitalised at cost.

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

Computing equipment	3 years
Racking	2 years

## **(j) Funds accounting**

Funds held by EDCTP are either:

- Unrestricted general funds – these are funds which can be used in accordance with the scientific research objects of the EEIG, which can be used at the discretion of the EDCTP executive management.
- Earmarked funds – these are funds set aside from the unrestricted funds for specific eligible expenditures and grants covered by the EC grant agreement with EDCTP.
- Restricted funds – these are funds received from other parties which can only be used for particular restricted purposes within the object of the EDCTP. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

## **(k) Functional and presentation currencies**

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

## **(l) Currency translation**

Transactions in foreign currencies are translated into Euro at rates prevailing at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date and any differences taken to the SOFA.

There were two foreign currency assets as at 31 December 2010 which were the grant receivable in US dollars from BMGF and in SEK from SIDA. Under the terms of the contract with BMGF contribution their contribution (€6.7 M) for the first grant re HIV vaccines is fixed in Euro so there is no exchange risk involved, on the second grant from BMGF this is a \$3 M grant of which \$1 M is still outstanding as at 31/12/10, this contribution is not fixed against the Euro and so will fluctuate in value when translated into Euro over the years in which it is receivable. On the third amendment to agreement with SIDA signed in year 2010 the contribution is set as SEK 30 M over 2 years receivable in tranches of SEK 15 M per annum and SEK 15 M was outstanding as at 31/12/2010. Grant expenditure for these will be managed so that the grants awarded from this contribution will, so far as is possible, not exceed the Euro value of the foreign currency donations. The rates used for translating other currencies into Euro at 31 December 2010 and 2009 are reported in note 25.

All non Euro currency receipts are translated into Euro as soon as they are received on the EDCTP bank account. Any exchange differences are recognized through the SOFA.

## **(m) Pension scheme**

EDCTP does not contribute into any defined benefit schemes for any of its international staff employees; instead a defined contribution is operated.

For the local seconded staffs from NWO who are members of a defined benefit scheme the liabilities are the responsibility of the employer NWO therefore there is no need for EDCTP to account for pension payments on anything other than a defined contribution basis.

## **(n) Critical accounting judgments and key sources of estimation uncertainty**

In the preparation of financial statements in conformity with IFRS, management makes certain estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent liabilities. Actual results could differ from such estimates. Estimates and judgments are continually evaluated and are based on historical experience and other

factors, including expectations of future events that are believed to be reasonable under the circumstances. The most significant judgments and estimates are summarised below:

**i) Significant Judgments**

EDCTP accounting policies require that cofunding from member states and third parties is recognised and identified in the financial statements. Such cofunding can be designated into 3 different accounting categories. Such decisions require significant judgment and relate to the following circumstances:

Cash cofunding to EDCTP – the donor has deposited funds directly with EDCTP for the purpose of providing grants. This is specified and quantified in note 17 below.

Direct cofunding – cash funds paid over to the grantee institution in connection with an EDCTP grant by the donor directly and not through EDCTP, see note 2 below

In kind cofunding – funding provided to the grantee by the donor, in the form of services or materials provided to conduct the grant free of charge to EDCTP, see note 2 below.

The in kind and direct categories of cofunding are shown as received and spent in the same year for which they are in respect of, and at the same amounts, so there are no asset or liability values in respect of them included in the balance sheet.

Held-to-Maturity - The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

**ii) Significant estimates**

For “in kind” cofunding being provided for a grant, the value of the cofunding and items of expenditure are identified in a budget sheet sent to EDCTP by the donor for the grant concerned and corroborated in writing. These values are estimated by the donor organisation concerned and accepted by EDCTP at these estimations.

For cash sent directly to the grantee without first passing through EDCTP the donor again provides EDCTP with a signed corroborating letter verifying the amount of the funding provided to the grantee institution.

Where either in kind or direct cofunding is provided by a member state then this is further supported by being included in the signed annual member state certificate provided to the EDCTP at the end of each year and forwarded to the EC as evidence of that state’s financial contribution to EDCTP for the year in question.

**(o) Financial instruments**

**i). Non-derivative financial assets**

Sums receivable and deposits are recognised on the date that they are originated.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

**ii) Non-derivative financial liabilities**

EDCTP initially recognises liabilities on the date that they are originated.

**iii) Other (non)-derivative financial assets and liabilities**

EDCTP has no financial assets at fair value through profit or loss, held-to-maturity financial assets, other loans and receivables and available-for-sale financial

**Note 2 (a) Voluntary and donor income by type of fund**

	Earmarked		Restricted	
	2010	2009	2010	2009
	€000	€000	€000	€000
Voluntary & donor income	30,620	56,751	28,381	24,877
Finance income	426	1,426	660	1,477
Total incoming resources	31,046	58,177	29,041	6,354

**Note 2 (b) Incoming resources from voluntary and donor income**

	<b>Earmarked</b>	<b>Restricted</b>	<b>2010</b>	<b>2009</b>
	<b>€000</b>	<b>€000</b>	<b>Total</b>	<b>Total</b>
			<b>€000</b>	<b>€000</b>
<b>Cash cofunding to EDCTP</b>				
EC for period 4 of the grant agreement	30,620	-	30,620	56,751
Member state & 3 <sup>rd</sup> party cofunding re grant contributions <b>(2c)</b>	-	7,404	7,404	4,150
Member state & 3 <sup>rd</sup> party cofunding re programme activities <b>(2c)</b>	-	154	154	240
Member state & 3 <sup>rd</sup> party cofunding re governance <b>(2c)</b>	-	4	4	6
Member state EC ineligible cost reimbursement	-	-	-	-
Registration fees for annual forum	-	-	-	22
<b>Total cash cofunding</b>	<b>30,620</b>	<b>7,562</b>	<b>30,182</b>	<b>61,169</b>
<b>In kind &amp; direct cofunding to EDCTP &amp; grantees</b>				
Member state & 3 <sup>rd</sup> party cofunding grant contributions <b>(2d)</b>	-	20,458	20,458	19,998
Member state & 3 <sup>rd</sup> party cofunding re programme activities <b>(2d)</b>	-	234	234	230
Member state & 3 <sup>rd</sup> party cofunding re support activities <b>(2d)</b>	-	26	26	0
Member state & 3 <sup>rd</sup> party cofunding re governance <b>(2d)</b>	-	101	101	231
<b>Total cash &amp; in kind and direct cofunding</b>	<b>0</b>	<b>20,819</b>	<b>20,819</b>	<b>20,459</b>
<b>Total cofunding</b>	<b>30,620</b>	<b>28,381</b>	<b>59,001</b>	<b>81,628</b>

**Note 2 (c) Incoming resources from member state & third party cofunding (cash cofunding only)**

	<b>Grants</b>	<b>Programme activities</b>	<b>Support</b>	<b>Governance</b>	<b>2010 Total</b>	<b>2009 Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
BMGF					0	0
Belgium					0	24
Denmark		8			8	0
France					0	4
Germany		70			70	0
Luxembourg					0	104
Netherlands	546				546	16
Norway					0	0
Spain					0	0
Sweden	3,239			4	3,243	971



Switzerland	312				312	42
United Kingdom	3,307	76			3,383	3,030
United States					0	20
Rwanda					0	185
Others					0	22
<b>Total</b>	<b>7,404</b>	<b>154</b>	<b>0</b>	<b>4</b>	<b>7,562</b>	<b>4,418</b>

**Note 2 (d) Incoming resources from member state & third party cofunding (In kind and direct cofunding to grantees only)**

	<b>Grants</b>	<b>Programme activities</b>	<b>Support</b>	<b>Governance</b>	<b>2010 Total</b>	<b>2009 Total</b>
	€000	€000	€000	€000	€000	€000
Third Party	7,157				7,157	5,890
Austria	156			8	164	149
Belgium	1,391	18		12	1,421	1,904
Denmark	3,119				3,119	1,953
France	2,920				2,920	1,721
Germany	1,480	96		5	1,581	936
Greece					0	0
Ireland					0	0
Italy	109				109	87
Luxembourg	203				203	202
Netherlands	365	74	26		465	1,918
Norway	-251			2	-249	282
Portugal				1	1	9
Spain	40				40	-207
Sweden	296				296	3,430
Switzerland	287				287	291
United Kingdom	3,186	46		73	3,305	1,894
<b>Total</b>	<b>20,458</b>	<b>234</b>	<b>26</b>	<b>101</b>	<b>20,819</b>	<b>20,459</b>

**Note 3 Financial income and expenses**

	2010	2009
	€000	€000
Net foreign exchange gain/(loss)	95	(34)
Interest income	991	2,937
<b>Total financial income</b>	<b>1,086</b>	<b>2,903</b>

**Note 4 Resources expended by type of fund**

	Earmarked		Restricted	
	2010	2009	2010	2009
	€000	€000	€000	€000
Activities in furtherance of EDCTP objects	3,583	3,853	364	498
Grants payable	27,286	53,888	28,763	46,421
Governance costs	226	415	105	238
<b>Total resources expended</b>	<b>31,095</b>	<b>58,156</b>	<b>29,232</b>	<b>47,157</b>

**Note 5 Activities in furtherance of EDCTP objects**

	2010 Total	2009 Total
	€000	€ 000
STAFF COSTS (SEE NOTE 9 )	2,651	2,593
TEMPORARY STAFF COSTS	1	20
DEPRECIATION	0	0
RECRUITMENT	5	13
TRAVEL & SUBSISTENCE	161	260
BI ENNIAL SCIENTIFIC FORUM & BURSARIES	14	329
ADVERTISING IN SCIENTIFIC & OTHER MEDIA	9	20
SCIENTIFIC REVIEW COMMITTEE MEETINGS	84	109
PRINCIPAL INVESTIGATORS & STAKEHOLDERS MEETING	19	41
INELIGIBLE EC COSTS	0	0
MEMBER STATES CO FUNDED SECRETARIAT COSTS	187	104
OFFICE RUNNING COST,COURIER & CONSUMABLES	42	23
PRODUCTION OF EDCTP REPORTS	48	65
MOBILE TELECOMMUNICATIONS	9	24
ANNUAL STAFF RETREAT	0	10
PROJECT DATABASE & DATA MANAGEMENT SYSTEM	0	10

COMPUTING EQUIPMENT & SUPPLIES	168	30
OFFICE FURNITURE	16	19
PROFESSIONAL SERVICES	5	17
TRAINING	18	21
AFRICAN OUTSTANDING SCIENTIST AWARDS	0	30
INDEPENDENT EDCTP REVIEW BY STI	0	26
SIDA/ MAKARERE CAPACITY DEVELOPMENT JOINT INITIATIVE	0	70
CONNECTING THE CHAIN MEETINGS	11	0
IMPACT REPORT (SCIH)	26	0
PWC AUDIT OF GRANTEES	32	0
TECHINICAL SITE REVIEW AND ASSESSMENT	1	0
CONFERENCE REGISTRATION FEE	4	0
SOUTH AFRICA CORPORATION TAX	6	0
OTHER	35	1
<b>TOTAL DIRECT COSTS</b>	<b>3,552</b>	<b>3,835</b>
SUPPORT COSTS (SEE NOTE 8)	395	516
<b>TOTAL RESEARCH ACTIVITIES</b>	<b>3,947</b>	<b>4,351</b>

## Note 6 Grants payable

The amount paid in respect of grants in the year comprises:

<b>GRANTS PAYABLE</b>	<b>Earmarked</b>	<b>Restricted</b>	<b>2010</b>	<b>2009</b>
	<b>€000's</b>	<b>€000's</b>	<b>€000's</b>	<b>€000's</b>
CASH PAYABLE				
EDCTP	27,286	-	27,286	53,888
Member States	-	8,305	8,305	24,038
Third Parties	-	-	-	2,385
<b>Sub total</b>	<b>27,286</b>	<b>8,305</b>	<b>35,591</b>	<b>80,311</b>
<b>IN KIND &amp; DIRECT PAYABLE</b>				
Member States	-	13,301	13,301	14,138
Third Parties	-	7,157	7,157	5,860
<b>Sub total</b>	<b>-</b>	<b>20,458</b>	<b>20,458</b>	<b>19,998</b>
<b>Total Member States/ Third Party / EDCTP grants</b>	<b>27,286</b>	<b>28,763</b>	<b>56,049</b>	<b>100,309</b>

## Note 7 Governance costs

	<b>Total 2010 Earmarked &amp; Restricted</b>	<b>Total 2009 Earmarked &amp; Restricted</b>
	<b>€ 000</b>	<b>€ 000</b>
Assembly	112	206
Partnership board	89	150
ENNP	0	61
Developing countries collaborating committee	112	219
Audit fees	18	17
<b>Total governance costs</b>	<b>331</b>	<b>653</b>

## Note 8 Support costs from third parties

	<b>NWO</b>	<b>MRC SA</b>	<b>Total 2010</b>	<b>Total 2009</b>
	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>	<b>€ 000</b>
Telephones	30	0	30	47
Catering	9	0	9	10

IT maintenance	23	3	26	28
Rent/Service charge/Parking	137	13	150	159
Office Cleaning	10	0	10	12
Postage	1	0	1	1
Photocopies	11	0	11	21
Travel	0	0	0	12
Sundry	1	0	1	1
Legal/Personnel Prof & Fin Services	160	-3	157	225
<b>Total support costs</b>	<b>382</b>	<b>13</b>	<b>395</b>	<b>516</b>

### Note 9 Staff costs and numbers

#### Total staff costs comprised:

	<b>2010</b>	<b>2009</b>
	<b>€ 000</b>	<b>€ 000</b>
Wages and salaries	2,378	2,362
Social security costs	121	104
Pension costs	152	127
<b>Total staff costs</b>	<b>2,651</b>	<b>2,593</b>

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

	<b>2010</b>	<b>2009</b>
Secretariat (EDCTP contract)	20.12	17.50
Secretariat (Seconded from NWO/MRC & DOH)	2.75	5
<b>Total staff numbers</b>	<b>22.87</b>	<b>22.5</b>

### Note 10 Tangible fixed assets

#### As at 31/12/10 Computing Equipment

€ 000

#### Cost

At 31 December 2009	31
Additions	0
At 31 December 2010	31

## Depreciation

At 31 December 2009	(31)
Charge for the year	(0)
At 31 December 2010	(31)

## Net Book Value

At 31 December 2009	0
At 31 December 2010	0

## Note 11 Debtors

	<b>2010</b>	<b>2009</b>
	<b>€ 000</b>	<b>€ 000</b>
EC Owed Funds	34,881	19,350
Donor Owed Funds	4,221	3,144
Other Debtors	406	918
Prepayments	8	10
<b>Total debtors</b>	<b>39,516</b>	<b>23,422</b>

Donor owed funds include €1.62 M from BMGF, €0.99 M from NACCAP and €1.61 M from SIDA. Other debtors included €0.27 M regarding the interest for 2010 paid in January 2011.

## Note 12 Cash and Cash equivalents

	<b>2010</b>	<b>2009</b>
	<b>€ 000</b>	<b>€ 000</b>
Bank balances	50,404	64,590
Cash in hand	1	24
<b>Total cash and cash equivalents</b>	<b>50,405</b>	<b>64,614</b>

## Note 13 Creditors: amounts falling due within one year

	<b>2010</b>	<b>2009</b>
	<b>€ 000</b>	<b>€ 000</b>
Other creditors	0	0
Grant creditors	41,841	36,474
Accruals	168	126
<b>Total creditors falling due within one year</b>	<b>42,009</b>	<b>36,600</b>

**Note 14 Creditors: amounts falling due over one year**

	2010	2009
	€ 000	€ 000
Grant creditors	40,086	43,370
	<b>40,086</b>	<b>43,370</b>

**Note 15 Unrestricted funds of the EEIG general fund**

	€ 000
Balance at 31 December 2009	0
Movement in funds for the year	0
<b>Balance at 31 December 2010</b>	<b>0</b>

**Note 16 Earmarked funds**

	€ 000
Balance at 31 December 2009	(79)
EC Grant funds received	30,620
Released to statement of financial activities	(30,669)
<b>Balance at 31 December 2010</b>	<b>(128)</b>

**Note 17 Restricted funds**

	At 31/12/09	Incoming resources	Outgoing resources	At 31/12/10
	€ 000	€ 000	€ 000	€ 000
MRC UK Capacity Development Training awards	180	17	0	197
DFID/MRC UK contribution to EDCTP calls	331	0	(335)	(4)
Medical Research Council (MRC) UK HIV trials contribution to joint call with BMGF	28	0	0	28
Medical Research Council (MRC) UK contribution to EDCTP calls and management costs	2,216	3,366	(3,733)	1,849
Investment income	1,820	351	0	2,171
Bill and Melinda Gates Foundation (BMGF) HIV Vaccines	91	0	0	91
Bill and Melinda Gates Foundation (BMGF) TB Treatment	(2)	0	0	(2)
Investment income	193	41	0	234
Foreign exchange adjustment	(30)	0	95	65
Swedish International Development Cooperation Agency (SIDA) contribution to	1,569	3,239	(2,150)	2,658

EDCTP calls				
Swedish International Development Cooperation Agency (SIDA) contribution to constituency meeting costs & audit costs	0	4	(4)	0
Investment income	378	79	0	457
Foreign exchange adjustment	(191)	0	0	(191)
Spanish Ministry of Health & Consumer Affairs (ISC) contribution to EDCTP Calls	777	0	(953)	(176)
Spanish Ministry of Health & Consumer Affairs (ISC) contribution to bursary costs & GA meeting costs	(16)	0	0	(16)
Investment Income	319	40	0	359
Irish Aid contribution to EDCTP calls	0	0	(90)	(90)
Investment Income	82	14	0	96
Center for treatment and research on Aids, Malaria and Tuberculosis and other Epidemics Rwanda contribution to EDCTP Calls	0	0	0	0
Investment Income	4	3	0	7
Luxembourg Development Co operation contribution to EDCTP Calls	0	0	0	0
Investment Income	2	1	0	3
NACCAP contribution to EDCTP calls	0	546	(546)	0
Investment Income	146	26	0	172
Swiss National Science Foundation (SNSF) contribution to EDCTP calls	0	312	(322)	(10)
Swiss Agency for Development and Cooperation (SDC)/Swiss State Secretariat for Education and Research (SER) contribution to EDCTP calls	237	0	(240)	(3)
Swiss Agency for Development and Cooperation (SDC)/Swiss State Secretariat for Education and Research (SER) contribution to bursary costs 2009 biennial forum	(8)	0	0	(8)
Foreign exchange adjustment	(4)	0	0	(4)
Investment Income	23	10	0	33
Deutschen Zentrum fur Lueft-und Raumfahrt e.V. (DLR) contribution to impact report by Swiss Centre for International Health (SCIH), bursary costs 2009 biennial forum and EDCTP PSRC	0	70	(40)	30
Statens Serum Institut contribution to EDCTP PSRC	0	8	0	8
<b>Total</b>	<b>8,145</b>	<b>8,127</b>	<b>(8,318)</b>	<b>7,954</b>
The funding received from the MRC UK re the capacity development for training is to be used in respect of capacity building and training for staff and infrastructure at the MRC Uganda and MRC Gambia sites.				
The SIDA, ISC, Irish Aid, NACCAP, SDC and SNSF grants are for clinical trials and capacity building grants				



awarded within the EDCTP programme.

The BMGF grant is to be used as part of the joint call for capacity building in clinical trials of HIV vaccines in sub-Saharan Africa announced 1/12/06. The BMGF grant is to be used for TB treatment, namely the PANACEA consortium, an EDCTP integrated projects of clinical trials, capacity building and networking in sub-Saharan Africa.

### **Note 18 Related parties and service organizations**

The basis of EDCTP is partnership. It unites the 14 participating European Union (EU) Member States plus Norway and Switzerland with sub-Saharan African countries. The partnership helps EU Member States to integrate and coordinate their own national research and development programmes and form partnerships with their African counterparts. The member states qualify under IAS 24 as related parties. EDCTP receives income in cash and in-kind from the member states. In note 2 EDCTP disclosed the nature and size of the transactions with the member states.

The EEIG has signed a hosting arrangement contract with NWO and MRC SA which includes the costs providing personnel, legal, IT and communications services plus the rent and associated costs of Secretariat office space. Transactions under the hosting agreement, amounted to €382,108 in 2010 for NWO and €13,175 in 2010 for MRC SA.

### **Note 19 Taxation**

EDCTP itself is exempt from Dutch corporate income tax "CIT" as laid down in article 40 of the EEC Council regulation adopted in 1985, as clarified in a ruling from the Dutch Secretary of Finance issued 1 March 1990. However it is liable for all wages and social security taxes in Holland.

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

EDCTP is also exempt from paying VAT in South Africa following a ruling from South African Revenue Service (SARS) in 2007. An application was made for exemption from income taxes on EDCTP in 2008 in South Africa which is still pending, although the effect of this will be minimal even if granted as EDCTP has no taxable income or profits in South Africa.

### **Note 20 Conditional asset**

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

EDCTP has awarded (€ 000) 156,781 as at 31/12/10 and resulting in a contingent asset of (€ 000) 43,219 which has not been recognised in the accounts. The total amount to be received (including EC owed funds) is as a result (€ 000) 78,100.

### **Note 21 Supplementary data**

It is proposed to add the net costs for the year to the earmarked funds (€000's) (49), to the restricted funds (€191) and general funds €0. This proposal has been incorporated in the financial statements.

### **Note 22 Remuneration of governing bodies**

The Assembly is not paid any honorariums nor per diems in respect of attending meetings in 2010. Member states are encouraged to pay for their own travel costs and only reimbursed where this is not possible.

The Partnership Board members are no longer paid an annual honorarium except for the €10,000 to the Chair, in addition to this they are also entitled to a supplementary honorarium of €1,665 for each two day meeting (up to a maximum of four meetings per year) attended pro rated down if less than the full session is attended. In 2010 the total payments to the Partnership Board in respect of honorariums amounted to €36,640 (2009 €48,601).

The Developing Countries Coordinating Committee members were paid no annual honorarium, but they are entitled to a daily honorarium of €200 for each meeting (up to a maximum of four meetings per year) attended. In 2010 the total payments to the DCCC in respect of honorariums amounted to €23,200 (2009 €40,642)

### **Note 23 Subsequent events**

There are no subsequent financial events which have arisen by the date of formal approval of the 2010 statutory accounts which are material to these financial statements or would lead to a restatement in any of the values included in the accounting statements above.

### **Note 24 Segment reporting**

EDCTP operates through two Secretariat offices based in The Netherlands and South Africa which support each other. The operations and activities of the two offices are the same; to provide grants advertised by open call to foster capacity building and new clinical interventions into the 3 main poverty related diseases afflicting sub Saharan Africa. The two Secretariats operate in a combined and uniform manner. In the opinion of management, the organisation operates in a single operating segment.

### **Note 25 Risk management policies and procedures**

EDCTP has adopted risk management policies in 2008 to manage and mitigate the operational, reputational and financial risks which it faces in executing its mandate. Oversight of the risk management policies is the responsibility of the Secretariat management team. The four major types of financial risk are liquidity, credit, currency and interest rate.

#### **Credit risk**

Credit risk is the potential financial loss due to default of one or more debtors/obligors either to EDCTP itself or to a grantee whom EDCTP has entered into a contract with. There are two principal sources of credit risk: (i) sovereign credit risk (ii) non-sovereign credit risk. EDCTP makes no provisions for non-payment of debts, owed by either type of donor, which have been pledged or contracted to the organisation and against which EDCTP is making grants. This is due to the financial standing of the debtor organisations concerned which are all member state government organisations plus one NGO; the BMGF. All pledged amounts of cash cofunding to EDCTP are confirmed in writing, by letter or contract, and the management judges that there is no risk of non-payment.

As at 31 December 2010 the donor debt profile was as shown below:

	€000
Public sector debt	37,480
Private sector debt	1,622
<b>Total donor debt</b>	<b>39,102</b>

In relation to grants made by EDCTP the grantee is required to submit annual financial reports and if the final financial report shows costs to have been less than the total value of the grant EDCTP contracted for, then the excess will be deducted from the 10% which EDCTP retains until the grant has ended, in this way reducing any amounts it would have to reclaim from the grantee themselves. As at 31 December 2010 no grantee owed the EDCTP any returnable funds.

EDCTP held all of its EC funds with one bank (Fortis) as the end of the 2010 financial year, new accounts were also opened with different banks in 2010 following the financial crisis as part of risk management

policy, these accounts are used for the donor funds. EDCTP does not invest in any other type of financial instruments or derivatives.

### Liquidity risk

Liquidity risk is the potential for loss resulting from insufficient liquidity to meet cash flow needs in a timely manner. In order to minimize this risk, EDCTP maintains instantly accessible bank deposits based on the projected net cash requirement for a rolling one-year period. EDCTP currently invests funds only in bank deposits of up to 1 year maturity, this will be reviewed when the grant portfolio and hence the cash flow is more predictable.

### Currency risk

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

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

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

### Interest rate risk

Interest rate risk is the risk that EDCTP receives less interest income than it expected due to falls in deposit rates. As EDCTP does not forecast or rely upon interest income, other than where by fixed rate deposit, this risk does not affect the organisation.

Under the terms of the grant agreement with the EC, EDCTP is not allowed to borrow any funding and hence interest rate risk is of no concern, neither does EDCTP charge interest on any of its grants.

### Operational Risk

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

EDCTP relies largely on internal controls and standard operating procedures for operational risk management. In 2008 the management team identified and categorised the major risks which impinge on EDCTP, Management attestation on the adequacy of internal controls was published in the annual reports for the first time in 2008. In 2010 the risk controls continued be monitored regularly and adjusted as necessary.

## Note 26 Financial instruments

### Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is stated in Note 11.

### Liquidity risk

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

	Carrying amount	Contractual cash-flows	6 months or less	6-12 months	1-2 years	2-5 years	more than 5 years
<b>Non-derivative financial assets</b>	€000	€000	€000	€000	€000	€000	€000

Debtors	39,516	39,516	20,637	1,607	8,951	8,321	-
Cash and cash equivalents	50,405	50,405	50,405	-	-	-	-
	<u>89,921</u>	<u>89,921</u>	<u>71,042</u>	<u>1,607</u>	<u>8,951</u>	<u>8,321</u>	<u>-</u>

### Currency risk

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

	31 December 2010			31 December 2009		
	EUR	USD	SEK	EUR	USD	CHF
	€000	€000	€000	€000	€000	€000
Debtors	36,287	1,622	1,607	21,160	2,262	0
Current liabilities	(42,009)			(36,600)		
Non-current liabilities	(40,086)			(43,370)		
Net exposure	<u>(45,808)</u>	<u>1,622</u>	<u>1,607</u>	<u>(58,810)</u>	<u>2,262</u>	<u>0</u>

The following significant exchange rates applied during the year:

	Reporting date			
	Average rate		spot Rate	
	2010	2009	2010	2009
1 Euro				
USD	1.33	1.38	1.336	1.440
ZAR	9.69	11.8	8.863	10.66
CHF	1.38	1.52	1.250	1.484
SEK	9.54	10.7	8.966	10.25

### Interest rate risk

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

		<b>2010</b>	<b>2009</b>
		€000	€000
<b>Fixed rate instruments</b>			
Financial assets	0	34,200	
Financial liabilities	0	0	
<hr/>			
<b>Variable rate instruments</b>			
Financial assets	50,405	30,414	
Financial liabilities	0	0	
		50,405	64,614