The Insurance Institute of South Africa

The Insurance Institute of South Africa NPC
(Registration number 1993/002172/08)
Trading as IISA
Annual Financial Statements
for the year ended 31 December 2019

These annual financial statements were prepared by:
Justin Kettle CA(SA)
Chartered Accountants (SA)
Kettle Advisory Services Inc.

These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Published 31 May 2020

## General Information

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Nature of business and principal activities** | To provide and maintain a central organisation for the promotion of efficiency, progress, welfare, knowledge and general development among persons engaged or employed in the insurance and related sectors, whether members of the institute or not. |
| **Directors** | D N De Vos<br>T C Mahlangu<br>T P Baloyi<br>A M Dias<br>A L Mhlanga<br>N L Morwe<br>V Pearson<br>P G Todd<br>D H Matthee<br>C N Molepe |
| **Registered office** | Ground Floor<br>Block B, Investment Place<br>10th Road off 2nd Road<br>Hyde Park<br>2196 |
| **Postal address** | P O Box 413264<br>Craighall<br>2024 |
| **Bankers** | First National Bank |
| **Auditor** | Balushi Incorporated<br>Chartered Accountant (SA)<br>Registered Auditors<br>1185 Park Street<br>Park Field Court, Unit 8<br>Hatfield<br>Pretoria<br>0183 |
| **Secretary** | CFG Research Institute Proprietary Limited |
| **Legal advisors** | Patelia Attorneys |
| **Company registration number** | 1993/002172/08 |
| **Tax reference number** | 9294062840 |
| **Level of assurance** | These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008. |

## General Information

| | |
|---|---|
| **Preparer** | The annual financial statements were independently compiled by:<br>Justin Kettle CA(SA)<br>Chartered Accountants (SA)<br>Kettle Advisory Services Inc. |
| **Published** | 31 May 2020 |

## Contents



**Level of assurance**

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

**Preparer**

Justin Kettle CA(SA)
Chartered Accountants (SA)
Kettle Advisory Services Inc.

**Published**

31 May 2020

## Chief Executive Officer's Report

In 2019 we focused on ensuring relevance of IISA in the industry, elevating the relevance of the insurance profession, increasing membership base, delivering relevant Continuing Professional Development (CPD) activities, and improving CPD reporting.

### 1. Growth in professional membership

The total membership increased by 29%, this is an indication that the marketing initiatives to grow the membership base are yielding positive results.

Below is a table of the membership movement for the past 3 years.

| Member Type | Variance 2016/2017 | Variance 2017/2018 | Variance 2018/2019 |
|---|---|---|---|
| Student | 100% | 119% | 177% |
| General | 42% | 69% | 98% |
| LIISA | 15% | 15% | 16% |
| AIISA | 7% | 3% | -3% |
| FIISA | 7% | 4% | 10% |
| **TOTAL** | **14%** | **17%** | **29%** |

### 2. Insurance director program

As part of ensuring IISA is relevant to the industry, in 2019 we launched a director program that focused on developing skills to enable individuals to operate effectively in Board rooms. The program was delivered in collaboration with the Institute of Directors of South Africa (IODSA).

The first cohort of 10 delegates underwent a six weeks training which equipped them with the following:

- insights on corporate governance,
- governing body's role in ethics,
- strategy & performance and integrated reporting,
- the governing body's role in risk,
- technology & information and assurance, and,
- increasing governing body effectiveness and adding value.

### 3. Executive Development program

We launched an executive development program that is aimed at developing leadership skills at senior and executive management level. The program will contribute in mitigating the shortage of skills at executive management level. The first cohort will commence in 2020.

### 4. Recognition of Prior Learning (RPL)

We launched an RPL which is an alternative method of accessing the designations. This will increase accessibility to the designations as well as improve the demographics of the membership base.

## Chief Executive Officer's Report

### 5. Refreshed CPD programs

Workshops on Data Science were held across the country. The purpose of the training was to empower participants with foundational understanding of the Big Data ecosystem. It also enabled participants to maximise the use of data and its ability to create competitive advantage within the financial services sector.

A three-day masterclass on Blockchain was conducted in Johannesburg. It enabled participants to gain a deep understanding of Blockchain as well as the implications and opportunities for the Insurance industry.

A cyber risk management training was conducted in Johannesburg which provided participants with skills to identify, analyse and address cyber risks facing organisations. It also provided insights on being alert to cyber risks.

### 6. Value proposition

A customer survey was conducted in order to assess the members & corporate partners' level of satisfaction with membership and corporate partnership, ascertain member & corporate partner expectations from a Professional Body, identify gaps within our service offering vis-à-vis member & corporate partner expectations. The feedback enabled us to review the value proposition and ensure that we effectively respond to the needs of our members, affiliates and corporate partners.

### 7. Annual Insurance Conference

The annual insurance conference remains the flagship event in the insurance calendar. In 2019, we hosted almost 1000 delegates from all over the globe. The theme of the conference was 'Growing. Learning. Together'. The theme focused on knowledge sharing on topical matters and top risks facing the industry and how same can be mitigated.

### 8. Looking Ahead

The key focus areas for 2020 are: implementation of the revised value proposition, improve the understating of IISA as a professional body, increase the membership base, create prestige in the profession, and delivering quality programs that contribute to skills shortage mitigation and transformation of the industry.

**TC Mahlangu**
**Chief Executive Officer**

**Sunday, 31 May 2020**

## Directors' Responsibilities and Approval

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 IISA 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 for Small and Medium-Sized Entities.The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities. 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 IISA and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set 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 IISA and all employees are required to maintain the highest ethical standards in ensuring the IISA's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the IISA is on identifying, assessing, managing and monitoring all known forms of risk across IISA. While operating risk cannot be fully eliminated, the IISA 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 IISA'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 IISA has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the IISA's annual financial statements. The annual financial statements have been examined by the IISA's external auditors and their report is presented on pages 11 to 13.

The annual financial statements set out on pages 14 to 33, which have been prepared on the going concern basis, were approved by the board of directors on 31 May 2020 and were signed on their behalf by:

**Approval of financial statements**

| | |
|---|---|
| **T C Mahlangu** | **D N De Vos** |
| **Chief Executive Officer** | **Chairman of the Board** |

## Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of The Insurance Institute of South Africa NPC for the year ended 31 December 2019.

### 1. Incorporation

The IISA was incorporated on 04 March 1993 and obtained its certificate to commence business on the same day.

### 2. Nature of business

To provide and maintain a central organisation for the promotion of efficiency, progress, welfare, knowledge and general development among persons engaged or employed in the insurance and related sectors, whether members of the IISA or not.

### 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium-Sized Entities and the requirements of the Companies Act 71 of 2008. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the IISA are set out in these financial statements..

### 4. Insurance and risk management

The IISA follows a policy of reviewing the risks relating to assets and possible liabilities arising from business transactions with its insurers on an annual basis. Wherever possible assets are automatically included. There is also a continuous asset risk control programme, which is carried out in conjunction with the IISA's insurance brokers. All risks are considered to be adequately covered, except for political risks, in the case of which as much cover as is reasonably available has been arranged.

### 5. Directorate

The directors in office at the date of this report are as follows:

| Directors | Office | Designation | Changes |
|---|---|---|---|
| D N De Vos | Chairperson | Non-executive | Appointed, 25 March 2015 |
| T C Mahlangu | Chief Executive Officer | Executive | Appointed, 01 July 2017 |
| T P Baloyi | | Non-executive | Appointed, 28 August 2014 |
| A M Dias | | Non-executive | Appointed, 23 November 2016 |
| A L Mhlanga | | Non-executive | Appointed, 23 November 2016 |
| N L Morwe | | Non-executive | Appointed, 27 August 2013 |
| V Pearson | | Non-executive | Appointed, 29 August 2017 |
| P G Todd | | Non-executive | Appointed, 07 May 2013 |
| D H Matthee | | Non-executive | Appointed, 30 July 2019 |
| C N Molepe | | Non-executive | Appointed, 10 July 2019 |

### 6. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the IISA had an interest and which significantly affected the business of the IISA.

### 7. Events after the reporting period

An agreement for compensation for loss of office was reached in February 2020 to the value of R R1 463 463. This has been recorded as an adjusting event in the 2019 annual financial statements. No other material events took place after the reporting period.

## Directors' Report

### 8. Going concern

The directors believe that the IISA has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the IISA is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the IISA. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the IISA.

### 9. Auditors

Balushi Incorporated was appointed as auditors for the IISA for 2019 financial year, with Mr.R.E Hlakudi as the lead engagement partner.

### 10. Secretary

The IISA secretary is CFG Research Institute Proprietary Limited.

### 11. Date of authorisation for issue of financial statements

The annual financial statements have been authorised for issue by the directors on Sunday, 31 May 2020. No authority was given to anyone to amend the annual financial statements after the date of issue.

### 12. Acknowledgements

Thanks and appreciation are extended to all of our members, staff, suppliers and the insurance industry for their continued support of the IISA.

## Audit, Risk and Governance Committee Report

### 1. Members of the Audit, Risk and Governance Committee

The members of the Audit, Risk and Governance committee are all independent non-executive directors of IISA and include:

| Name | Qualification |
|---|---|
| A Mhlanga | CA (SA) |
| T Baloyi | N.Dip (Cost & Man Acc), MBA |
| PG Todd | B.Com, LLB |

The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

### 2. Members of the Audit, Risk and Governance Committee

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act 71 of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditor. The committee met quarterly during 2019 financial year.

**Audit, Risk and Governance Committee**
**Attendance Register**

| Member | 18 March 2019 | 08 July 2019 | 19 September 2019 | 25 November 2019 |
|---|---|---|---|---|
| A. Mhlanga | ✓ | ✓ | X | ✓ |
| T. Baloyi | ✓ | ✓ | ✓ | ✓ |
| P.G. Todd | Not appointed | Not appointed | ✓ | ✓ |
| W. Abrahams | X | Resigned | Resigned | Resigned |
| G. Sandrock | Resigned | Resigned | Resigned | Resigned |

### 3. Responsibilities of the Audit, Risk and Governance Committee

Below are the key responsibilities of the committee, detailed explanations of the responsibilities are contained in the approved Audit, Risk and Governance Committee Charter.

- Risk management
- Audit management
- Financial reporting
- Investment management; and
- Compliance and Policy management

### 4. Objectives of the Audit, Risk and Governance Committee

- Oversight over IISA's governance, internal control and risk management processes;
- Enhance the assurance stakeholders can place on the governance of the institute as a result of the independence oversight it provides;
- Assist the board in the effective discharge of its responsibilities with the ultimate aim of the achievement of the IISA's objectives; and
- Oversees the functions of financial management, control and governance, by reviewing financial statements, reports from the internal and external auditors, status of internal control and risk management and thus providing meaningful advice on sustainability of the company to the Board.

# Audit, Risk and Governance Committee Report

**5. External Auditor**

At the Special Annual General Meeting held on 31st of July 2018, Balushi Incorporated was appointed as the external auditors. The committee satisfied itself through enquiry that the external auditor is independent as defined by the Companies Act 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought and provided by the Companies Act 71 of 2008 that internal governance processes within the firm support and demonstrate the claim to independence.

The audit, risk and governance committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, the extent of the work required and the scope.

**6. Financial Statements**

The committee is responsible for the review of the annual financial statements and annual report. The committee has also reviewed the annual financial statements and recommended their approval by the board.

**7. Accounting Practices and Internal Control**

The audit, risk and governance committee was founded during 2018. Key achievements recorded to date were the development of the Enterprise Risk Management policy, Finance Management policy, the drafting and approval of the Delegation of Authority document, and lastly but not least, the improvement of the accounting reporting and governance structures.

**8. Internal Assurance and Risk Management**

The committee is satisfied with the implementation of the enterprise risk management policy and that it would enhance the internal control environment within IISA. The committee is responsible for the review of the top strategic and operational risks.

**9. Annual Financial Statements**

The committee is satisfied with the preparation of the annual financial statements on a going-concern basis.

**10. Finance Function**

The committee is satisfied with the competence of the finance function in discharging its operational finance and reporting responsibilities.

On behalf of the audit committee

HAMhlanga

**Angela Mhlanga**
**Chairman Audit, Risk and Governance Committee**
**31 May 2020**

BALUSHI CHARTERED ACCOUNTANTS INC Registration Number: K2011/113692/21

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## Independent Auditor's Report

### To the members of the Insurance Institute of South Africa NPC

### Opinion

We have audited the financial statements of the Insurance Institute of South Africa NPC set out on pages 15 to 32, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Insurance Institute of South Africa NPC, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and the requirements of the Companies Act , 2008 (Act No.71 of 2008).

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

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

### Other information

The directors are responsible for the other information. The other information comprises the General Information, the Directors' Responsibilities and Approval, Audit and Risk Committee Report, Chief Executive Officer's Report and the Directors' Report. 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 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 audit work performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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### 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 the International Financial Reporting Standards for Small and Medium-sized Entities, and the requirements of the Companies Act, 2008 (Act No.71 of 2008) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing organisation '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 organisation or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the organisation's financial reporting process.

### 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 misstatements 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, misrepresentation, 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 organisation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 organisation's ability to continue as a going concern.

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- 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.

We also provide the directors with a statement that we have compiled with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be brought to bear on our independence, and where applicable, related safeguards.

**Balushi Incorporated**

**Per R.E Hlakudi CA(SA)**

Registered Auditor

Pretoria

Pactice Number 903960

23/07/2020

## Statement of Profit or Loss and Other Comprehensive Income

| | Note(s) | 2019 R | 2018 R |
|---|---|---|---|
| Revenue | 9 | 27 830 510 | 20 669 262 |
| Direct expenses | 10 | (10 615 886) | (6 174 814) |
| **Gross surplus** | | **17 214 624** | **14 494 448** |
| Other operating income | 11 | 482 633 | 322 645 |
| Deficit on disposal of asset | 12 | - | (7 069) |
| Other operating expenses | | (18 571 426) | (13 229 562) |
| **Operating surplus/(deficit)** | 13 | **(874 169)** | **1 580 462** |
| Finance income | 16 | 1 918 583 | 1 902 336 |
| Finance costs | 17 | - | (42 384) |
| **Surplus for the year** | | **1 044 414** | **3 440 414** |
| **Total comprehensive income for the year** | | **1 044 414** | **3 440 414** |

# Statement of Financial Position as at 31 December 2019

| | Note(s) | 2019 R | 2018 R |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | 2 | 430 016 | 253 374 |
| Intangible assets | 3 | 471 757 | 217 874 |
| | | **901 773** | **471 248** |
| **Current Assets** | | | |
| Trade and other receivables | 4 | 5 595 044 | 60 000 |
| Cash and cash equivalents | 5 | 23 220 513 | 26 659 421 |
| | | **28 815 557** | **26 719 421** |
| **Total Assets** | | **29 717 330** | **27 190 669** |
| **Equity and Liabilities** | | | |
| **Equity** | | | |
| Reserves | | 14 965 246 | 11 094 960 |
| Retained income | | 5 776 519 | 8 516 994 |
| | | **20 741 765** | **19 611 954** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 8 | 4 793 779 | 6 551 664 |
| Deferred income | 7 | 1 514 637 | 679 745 |
| Provisions | 6 | 2 667 149 | 347 306 |
| | | **8 975 565** | **7 578 715** |
| **Total Equity and Liabilities** | | **29 717 330** | **27 190 669** |

## Statement of Cash Flows

| | Note(s) | 2019<br>R | 2018<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash (used in)/generated from operations | 19 | (4 669 946) | 704 024 |
| Finance income | | 1 918 583 | 1 902 336 |
| Finance costs | | - | (42 384) |
| **Net cash from operating activities** | | **(2 751 363)** | **2 563 976** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 2 | (345 067) | (69 304) |
| Proceeds from disposal of assets | 2 | - | 8 696 |
| Purchase of other intangible assets | 3 | (342 478) | (267 765) |
| **Net cash from investing activities** | | **(687 545)** | **(328 373)** |
| **Total cash movement for the year** | | **(3 438 908)** | **2 235 603** |
| Cash at the beginning of the year | | 26 659 421 | 24 423 818 |
| **Total cash at end of the year** | 5 | **23 220 513** | **26 659 421** |

## The Insurance Institute of South Africa

(Registration number 1993/002172/08)
Trading as IISA
Annual Financial Statements for the year ended 31 December 2019

### Statement of Changes in Equity as at 31 December 2019

| Figures in Rand | Notes | Long Term Contract Benefit Reserve | Staff Reserve | CPD Development Reserve | Conference Reserve | Restructuring Reserve | Material Update Reserve | Printer Replacement Reserve | Contingency Reserve | Total Reserves | Retained Income | Total Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as at 1 January 2018** | | - | 2,900,000.00 | 250,000.00 | 2,000,000.00 | 499,000.00 | 700,000.00 | 716,000.00 | 5,000,000.00 | 12,065,000.00 | 5,274,324.00 | 17,339,324.00 |
| Prior Period Error | 24 | | | | | | | | | | (197,745.00) | (197,745.00) |
| **Balance as at 1 January 2018- Restated** | | - | 2,900,000.00 | 250,000.00 | 2,000,000.00 | 499,000.00 | 700,000.00 | 716,000.00 | 5,000,000.00 | 12,065,000.00 | 5,076,579.00 | 17,141,579.00 |
| Surplus for the year | | | | | | | | | | | 3,440,412.00 | 3,440,412.00 |
| Reclassification adjustments | | | (2,900,000.00) | (250,000.00) | (2,000,000.00) | (499,000.00) | (700,000.00) | (716,000.00) | 6,094,960.00 | (970,040.00) | | (970,040.00) |
| **Total Comprehensive Income for the Year** | | - | (2,900,000.00) | (250,000.00) | (2,000,000.00) | (499,000.00) | (700,000.00) | (716,000.00) | 6,094,960.00 | (970,040.00) | 3,440,412.00 | 2,470,372.00 |
| **Balance as at 1 January 2019** | | - | - | - | - | - | - | - | 11,094,960.00 | 11,094,960.00 | 8,516,991.00 | 19,611,951.00 |
| Surplus for the year | | | | | | | | | | | 1,044,415.00 | 1,044,415.00 |
| Reclassification adjustments | | | | | | | | | | | 85,399.00 | 85,399.00 |
| Movement for the year | | | | | | | | | 3,870,286.00 | 3,870,286.00 | (3,870,286.00) | - |
| **Total Comprehensive Income for the Year** | | - | - | - | - | - | - | - | 3,870,286.00 | 3,870,286.00 | (2,740,472.00) | 1,129,814.00 |
| **Balance as at 31 December 2019** | | - | - | - | - | - | - | - | 14,965,246.00 | 14,965,246.00 | 5,776,519.00 | 20,741,765.00 |

# Accounting Policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on a going concern basis in accordance with the International Financial Reporting Standards for Small and Medium-Sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- Financial instruments are measured at fair value

These financial statements are prepared in Rands which is the IISA's functional currency. All financial information presented in Rands has been rounded to the nearest Rand, except when otherwise indicated.

The financial statements were authorised for issue by the board of directors on 31 May 2020.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with International Financial Reporting Standards for Small and Medium-Sized Entities requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**Key sources of estimation uncertainty**

**Impairment of financial assets**

The IISA reviews and tests the carrying value of property, plant and equipment and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

**Provisions**

Provisions are inherently based on assumptions and estimates using the best information available.

# Accounting Policies

### 1.3 Property, plant and equipment

**(i) Recognition and measurement**

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Costs include expenditure that is directly attributable to the acquisition of asset. The cost of self-constructed assets includes the following:

The cost of material and direct labour

Any other costs directly attributable to bringing the assets to a working condition for their intended use when the IISA has an obligation to remove the asset or restore the site, an estimate of the costs dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of an item) is recognised within other income in profit or loss.

**(ii) Subsequent costs**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits of the expenditure will flow to the IISA. Ongoing repairs and maintenance are expensed as incurred.

**(iii) Depreciation**

Items of property, plant and equipment are depreciated from the date they are available for use or in respect of self-constructed assets, from the date that the assets are completed and ready for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line basis over their estimated useful lives. Depreciation is recognised in surplus or deficit. Leased assets under financial lease are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

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

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.
The depreciation charge for each period is recognised in surplus or deficit, unless it is included in the carrying amount of another asset. Re-assessments were performed and no changes to the useful lives were done.

There were no capitalised borrowing costs related to the acquisition of property, plant and equipment during the year.

| Item | Depreciation method | Average useful life |
|---|---|---|
| Furniture and fixtures | Straight line | 6 years |
| Motor vehicles | Straight line | 4 years |
| IT equipment | Straight line | 3 years |
| Printing equipment | Straight line | 5 years |

# Accounting Policies

### 1.4 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Computer software | 3 years |

### 1.5 Financial instruments

#### Recognition and measurement

IISA recognised a financial asset or a financial liability in the statement of financial position when, and only when it becomes a party to the contractual provisions of the instrument.

IISA classifies financial instruments, or their component part, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

At initial recognition, IISA measures a financial asset or financial liabilty at its fair value plus or minus, the case of an financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquistion or issue of the financial asset or financial liability.

For financial instruments which are not at fair value through profit or loss, transaction costs are included are included in the initial measurement of the instruments

# Accounting Policies

**1.5 Financial instruments (continued)**

**Trade and other receivables**

**Recognition and measurement**

Trade and other receivables are recognised when the IISA becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

**Trade and other payables**

**Recognition and measurement**

They are recognised when IISA becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 17).

Trade and other payables expose IISA to liquidity risk and possibly to interest rate risk. Refer to note 25 for details of risk exposure and management thereof.

**Bad debt management**

An ageing accounts receivable report is to be run monthly

- All debtors' balances older than 120 days are to be provided for as doubtful debts.
- All debtors' balances over 180 days are to be written off on recommendation by the Finance and Operations Executive Manager and approval by the CEO.

**Cash and cash equivalents**

Cash and cash equivalents are stated at fair value.

**Bank overdrafts**

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# Accounting Policies

### 1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

### 1.7 Impairment of assets

IISA assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If such indication exists, IISA estimates the recoverable amount of the asset.

### 1.8 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### 1.9 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

### 1.10 Revenue from contracts with customers

IISA recognises revenue from the following major sources:

- Membership income
- Corporate partners
- Conference revenue
- Learning and development income

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. IISA recognises revenue when it transfers control of a product or service to a customer.

### 2. Property, plant and equipment

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost or revaluation | Accumulated depreciation | Carrying value | Cost or revaluation | Accumulated depreciation | Carrying value |
| Furniture and fixtures | 310 941 | (214 130) | 96 811 | 255 699 | (169 355) | 86 344 |
| Motor vehicles | 218 706 | (51 831) | 166 875 | 52 551 | (52 551) | - |
| IT equipment | 256 051 | (154 906) | 101 145 | 184 932 | (122 219) | 62 713 |
| Printing equipment | 625 900 | (560 715) | 65 185 | 625 900 | (521 583) | 104 317 |
| **Total** | **1 411 598** | **(981 582)** | **430 016** | **1 119 082** | **(865 708)** | **253 374** |

#### Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Furniture and fixtures | 86 344 | 55 242 | (44 775) | 96 811 |
| Motor vehicles | - | 218 705 | (51 830) | 166 875 |
| IT equipment | 62 713 | 71 120 | (32 688) | 101 145 |
| Printing equipment | 104 317 | - | (39 132) | 65 185 |
| | **253 374** | **345 067** | **(168 425)** | **430 016** |

#### Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Disposals | Depreciation | Total |
|---|---|---|---|---|---|
| Furniture and fixtures | 122 657 | 6 007 | - | (42 320) | 86 344 |
| Motor vehicles | 15 765 | - | (15 765) | - | - |
| IT equipment | 33 596 | 63 297 | - | (34 180) | 62 713 |
| Printing equipment | 229 497 | - | - | (125 180) | 104 317 |
| | **401 515** | **69 304** | **(15 765)** | **(201 680)** | **253 374** |

A register containing the information registered by the Companies Act 71. of 2008 is available for inspection at the registered office of IISA.

### 3. Intangible assets

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation | Carrying value | Cost / Valuation | Accumulated amortisation | Carrying value |
| Computer software | 630 994 | (159 237) | 471 757 | 288 515 | (70 641) | 217 874 |
| **Total** | **630 994** | **(159 237)** | **471 757** | **288 515** | **(70 641)** | **217 874** |

#### Reconciliation of intangible assets - 2019

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 217 874 | 342 478 | (88 595) | 471 757 |
| | **217 874** | **342 478** | **(88 595)** | **471 757** |

## Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|---|---|

### 3. Intangible assets (continued)

**Reconciliation of intangible assets - 2018**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Computer software | 1 | 267 765 | (49 892) | 217 874 |
| | **1** | **267 765** | **(49 892)** | **217 874** |

### 4. Trade and other receivables

| | 2019 R | 2018 R |
|---|---|---|
| **Financial instruments:** | | |
| Accounts receivables | 7 551 059 | 621 278 |
| Provision for bad debts | (2 039 516) | (621 278) |
| Prepayments | 83 501 | 60 000 |
| **Total trade and other receivables** | **5 595 044** | **60 000** |

**Categorisation of trade and other receivables**

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

| | 2019 R | 2018 R |
|---|---|---|
| At amortised cost | 5 595 044 | 60 000 |

| | 120 Days | 90 Days | 60 Days | 30 Days | Total |
|---|---|---|---|---|---|
| Ageing of trade and other receivables | 2 039 516 | 220 731 | 44 838 | 5 245 974 | 7 551 059 |

No trade and other receivables were pledged as security.

### 5. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2019 R | 2018 R |
|---|---|---|
| Cash on hand | - | 304 |
| Bank balances | 23 220 513 | 26 659 117 |
| | **23 220 513** | **26 659 421** |

### 6. Provisions

**Reconciliation of provisions - 2019**

| | Opening balance | Additions | Total |
|---|---|---|---|
| Compensation for loss of office | - | 1 463 463 | 1 463 463 |
| Bonus provision | - | 813 552 | 813 552 |
| Leave pay provision | 347 306 | 42 828 | 390 134 |
| | **347 306** | **2 319 843** | **2 667 149** |

## Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|---|---|

### 7. Deferred income

| Reconciliation of deferred income - 2019 | Opening balance | Movement | Total |
|---|---|---|---|
| Insurance skills development fund | 679 745 | 460 349 | 1 140 094 |
| Leadership and skills development fund | - | 374 543 | 374 543 |
| | **679 745** | **834 892** | **1 514 637** |

| Reconciliation of deferred income - 2018 | Opening balance | Movement | Total |
|---|---|---|---|
| Insurance skills development fund | - | 679 745 | 679 745 |
| | **-** | **679 745** | **679 745** |

IISA received funding for skills development from the Industry, which should be utilized in subsidizing registration fees and other expenses for forums and seminars offered to delegates. The other expenses also entail items such as venue hire, travel and accomodation and refreshments.

### 8. Trade and other payables

| | 2019 R | 2018 R |
|---|---|---|
| **Financial instruments:** | | |
| Accrued lease payable | 119 011 | 197 745 |
| Bank balance | 18 659 | 11 902 |
| Deposits received | 17 218 | 16 659 |
| Other payables | 186 326 | 137 070 |
| Payroll liabilities | 195 220 | 767 872 |
| Trade payables | 356 316 | 185 264 |
| Income received in advance | 675 306 | 2 047 698 |
| VAT | 3 225 723 | 3 187 454 |
| | **4 793 779** | **6 551 664** |

### 9. Revenue

| | 2019 R | 2018 R |
|---|---|---|
| **Revenue from contracts with customers** | | |
| BAC services | 1 373 476 | 843 877 |
| Book sales | 778 512 | 1 492 853 |
| Conference revenue | 11 720 634 | 10 175 989 |
| Corporate partners | 3 181 052 | 3 577 554 |
| CPD development | 547 358 | 486 545 |
| Leadership and skills development | 5 078 228 | - |
| Learning and development | 992 091 | 880 829 |
| Membership | 3 813 145 | 3 147 232 |
| | **27 484 496** | **20 604 879** |
| **Revenue other than from contracts with customers** | | |
| Africa strategy | 286 200 | - |
| Foreign income | 54 447 | 47 306 |
| Training services | 5 367 | 17 077 |
| | **346 014** | **64 383** |
| | **27 830 510** | **20 669 262** |

## Notes to the Annual Financial Statements

| | | 2019 | 2018 |
|---|---|---|---|
| **10. Direct expenses** | | | |
| **Services rendered** | | | |
| BAC services | | 5 294 | 12 564 |
| Conference expenses | | 9 809 360 | 5 793 415 |
| Examinations | | 171 647 | 158 988 |
| Leadership and skills development | | 558 249 | - |
| Learning and development | | 71 336 | 209 847 |
| | | **10 615 886** | **6 174 814** |
| **11. Other operating income** | | | |
| Rental income | | 302 264 | 258 281 |
| Bad debts recovered | | 180 369 | - |
| Other income | | - | 64 364 |
| | | **482 633** | **322 645** |
| **12. Other operating surplus (deficit)** | | | |
| **Gains (losses) on disposals, scrappings and settlements** | | | |
| Property, plant and equipment | 2 | - | (7 069) |

### 13. Operating surplus (deficit)

Operating surplus/(deficit) for the year is stated after charging (crediting) the following, amongst others:

| | 2019 | 2018 |
|---|---|---|
| **Auditor's remuneration - external** | | |
| Audit fees | 175 751 | 119 478 |
| **Remuneration, other than to employees** | | |
| Consulting and professional services | 830 154 | 81 143 |
| **Employee costs** | | |
| Salaries, wages, bonuses and other benefits | 9 707 369 | 8 535 358 |
| **Leases** | | |
| **Operating lease charges** | | |
| Premises | 895 263 | 895 264 |
| **Depreciation and amortisation** | | |
| Depreciation of property, plant and equipment | 168 425 | 201 680 |
| Amortisation of intangible assets | 88 595 | 45 642 |
| **Total depreciation and amortisation** | **257 020** | **247 322** |

## Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|---|---|

### 13. Operating surplus (deficit) (continued)

**Expenses by nature**

The total cost of sales, selling and distribution expenses, marketing expenses, general and administrative expenses, research and development expenses, maintenance expenses and other operating expenses are analysed by nature as follows:

| | 2019 R | 2018 R |
|---|---|---|
| Depreciation, amortisation and impairment | 257 020 | 247 322 |
| Employee costs | 9 707 369 | 8 535 358 |
| Operating lease charges | 895 263 | 895 264 |
| Other expenses | 7 711 774 | 3 551 618 |
| Services rendered | 10 615 886 | 6 174 814 |
| | **29 187 312** | **19 404 376** |

### 14. Employee costs

| | 2019 R | 2018 R |
|---|---|---|
| **Employee costs** | | |
| Basic | 5 834 486 | 5 901 073 |
| Bonus | 813 552 | - |
| Leave pay provision | 42 828 | 71 687 |
| Other payroll benefits | 910 007 | 261 958 |
| SARS payroll expenses | 2 106 496 | 2 300 640 |
| | **9 707 369** | **8 535 358** |

### 15. Depreciation, amortisation and impairment losses

| | 2019 R | 2018 R |
|---|---|---|
| **Depreciation** | | |
| Property, plant and equipment | 168 425 | 201 680 |
| **Amortisation** | | |
| Intangible assets | 88 595 | 45 642 |
| **Total depreciation, amortisation and impairment** | | |
| Amortisation | 88 595 | 45 642 |
| Depreciation | 168 425 | 201 680 |
| | **257 020** | **247 322** |

### 16. Investment income

| | 2019 R | 2018 R |
|---|---|---|
| **Interest income** | | |
| **Investments in financial assets:** | | |
| Bank and other cash | 1 918 583 | 1 902 336 |

### 17. Finance costs

| | 2019 R | 2018 R |
|---|---|---|
| SARS | - | 42 384 |
| **Total finance costs** | **-** | **42 384** |

# Notes to the Annual Financial Statements

| | 2019<br>R | 2018<br>R |
|---|---|---|

### 18. Taxation

No provision for income tax has been made in the annual financial statements because IISA is exempt from income tax in terms of section 10(1)(cN) of the Income Tax Act No. 58 of 1962.

### 19. Cash (used in)/generated from operations

| | | |
|---|---|---|
| Surplus before taxation | 1 044 414 | 3 440 414 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 257 020 | 247 322 |
| Deficit on disposal of PPE | - | 7 069 |
| Finance income | (1 918 583) | (1 902 336) |
| Finance costs | - | 42 384 |
| Movements in skill development funds | 2 319 843 | - |
| Movement in reserves | 85 397 | (970 039) |
| **Changes in working capital:** | | |
| Deferred income | 834 892 | 679 745 |
| Trade and other receivables | (5 535 044) | 485 524 |
| Trade and other payables | (1 757 885) | (1 326 059) |
| | **(4 669 946)** | **704 024** |

### 20. Commitments

**Operating leases – as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 865 064 | 973 998 |
| - in second to fifth year inclusive | - | 865 064 |
| | **865 064** | **1 839 062** |

Operating lease payments represent rentals payable by IISA for certain of its office properties. Leases are negotiated for an average term of five years and rentals increase by 8% annually. No contingent rent is payable.

**Operating leases – as lessor (income)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 277 800 | 290 215 |
| - in second to fifth year inclusive | 130 310 | 408 111 |
| | **408 110** | **698 326** |

Certain of IISA's office space generates rental income. The average lease agreement term is 5 years with 8% annual escalation. There are no contingent rents receivable.

## Notes to the Annual Financial Statements

| | 2019 R | 2018 R |
|---|---|---|

### 21. Related parties

| | |
|---|---|
| Relationships | |
| Members of key management | T C Mahlangu |
| Directors | D N De Vos<br>T C Mahlangu<br>T P Baloyi<br>A M Dias<br>A L Mhlanga<br>N L Morwe<br>V Pearson<br>P G Todd<br>D H Matthee<br>C N Molepe |

**Compensation to directors and other key management**

| | 2019 R | 2018 R |
|---|---|---|
| Short-term employee benefits | 3 000 418 | 2 653 152 |

### 22. Directors' remuneration

**Executive**

**2019**

| | Emoluments | Annual bonus | Total |
|---|---|---|---|
| T C Mahlangu | 2 398 728 | 601 690 | 3 000 418 |
| | **2 398 728** | **601 690** | **3 000 418** |

**2018**

| | Emoluments | Annual bonus | Total |
|---|---|---|---|
| T C Mahlangu | 2 120 000 | 533 152 | 2 653 152 |
| | **2 120 000** | **533 152** | **2 653 152** |

### 23. Change in estimate

In applying the accounting policy for property plant and equipment and intangible assets, management has reviewed the useful lives of the following categories:

**Property, plant and equipment**

The useful life of computer software was revised from 2 years to 5 years.

**Property, plant and equipment**

The useful life of printers was revised from 5 years to 7 years.

The above revisions were applied prospectively and had the following effect on the annual financial statements:

## Notes to the Annual Financial Statements

| | 2019<br>R | 2018<br>R |
|---|---|---|

### 23. Change in estimate (continued)

| | | |
|---|---|---|
| **Statement of Comprehensive Income:** | | |
| (Increase)/Decrease in Printer Depreciation | 65 195 | - |
| (Increase)/Decrease in Computer Software Amortisation | 147 812 | - |
| **Total Increase/(Decrease) in Net Surplus** | **213 007** | **-** |
| **Statement of Financial Position** | | |
| Increase/(Decrease) in Property Plant and Equipment | 65 195 | - |
| Increase/(Decrease) in Intangible Assets | 147 812 | - |
| **Total Increase/(Decrease) in Retained Earnings** | **213 007** | **-** |

### 24. Prior period errors

Analysis of adjustments resulting from correction of prior period errors

**Statement of Profit or Loss and Other Comprehensive Income**

**Conference Income**

In the prior year accommodation income from the service provider was recognised as income. The relationship between IISA and the service provider is one of a principal and agent, whereby IISA is the agent and the service provider being the principal. As a result revenue and the cost of sales related thereto was not supposed to be recognized, as per IAS 18. An amount of R 9 064 637 was consequently derecognized from Conference Revenue and Cost of Sales to correct an error.

**Direct expenses**

In the prior year accommodation payment to the service provider was recognised as cost of sales. The relationship between IISA and the service provider is one of a principal and agent, whereby IISA is the agent and the service provider being the principal. As a result cost of sales and the revenue related thereto was not supposed to be recognized, as per IAS 18. An amount of R 9 064 637 was derecognized from Conference Revenue and Cost of Sales to correct an error.

**Statement of Financial Position**

**Intangible Assets and Property Plant and Equipment**

In the prior year, computer software was classified as Property, Plant and Equipment. An amount of R 222 124 was thus reclassified from Property, Plant and Equipment to Intangible Assets.

## Notes to the Annual Financial Statements

### 25. Financial instruments and risk management

**Financial risk management**

**Overview**

IISA is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The board of directors has overall responsibility for the establishment and oversight of the IISA's risk management framework. The board has established the audit, risk & governance committee, which is responsible for developing and monitoring the IISA's risk management policies. The committee reports quarterly to the board of directors on its activities.

The IISA's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the IISA's activities

The IISA audit, risk & governance committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the IISA. The audit committee is assisted in its oversight role by internal audit as and when scheduled. Internal audit would also undertake ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit, risk & governance committee.

The liquidity risk is that the IISA will not be able to meet it's financial obligations as they fall due. The IISA manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are available. Credit risk consists mainly of cash deposits, cash equivalents and trade receivables.

### 26. Events after the reporting period

An agreement for compensation for loss of office was reached in February 2020 to the value of R R1 463 463. This has been recorded as an adjusting event in the 2019 annual financial statements. No other material events took place after the reporting period.

### 27. Contingent liability

During the reporting period, it was noted that there may be a third party who could initiate a claim against the IISA based on unfounded allegations of liability relating to the organisation of an event. No provision has been made in the financial statements as management consider the outflow of economic benefits to be less likely than not. The financial implications are estimated to be R2 000 000. To the best of management's knowledge and belief, there are no other contingent liabilities which may materially affect the financial position of IISA as at 31 December 2019.

## Detailed Income Statement

| | Note(s) | 2019<br>R | 2018<br>R |
|---|---|---|---|
| **Revenue** | | | |
| Africa strategy | | 286 200 | - |
| BAC services | | 1 373 476 | 843 877 |
| Book sales | | 778 512 | 1 492 853 |
| Conference revenue | | 11 720 634 | 10 175 989 |
| Corporate partners | | 3 181 052 | 3 577 554 |
| CPD development | | 547 358 | 486 545 |
| Foreign income | | 54 447 | 47 306 |
| Leadership and skills development | | 5 078 228 | - |
| Learning and development | | 992 091 | 880 829 |
| Membership | | 3 813 145 | 3 147 232 |
| Training services | | 5 367 | 17 077 |
| | 9 | **27 830 510** | **20 669 262** |
| **Direct expenses** | | | |
| Rendering of services | | (10 615 886) | (6 174 814) |
| **Gross surplus** | | **17 214 624** | **14 494 448** |
| **Other operating income** | | | |
| Bad debts recovered | | 180 369 | - |
| Other income | | - | 64 364 |
| Rental income | | 302 264 | 258 281 |
| | 11 | **482 633** | **322 645** |
| **Other operating surplus (deficit)** | | | |
| Deficit on disposal of PPE | | - | (7 069) |
| **Expenses (Refer to page 33)** | | **(18 571 426)** | **(13 229 562)** |
| **Operating surplus** | 13 | **(874 169)** | **1 580 462** |
| Finance costs | 17 | - | (42 384) |
| Investment income | 16 | 1 918 583 | 1 902 336 |
| **Surplus for the year** | | **1 044 414** | **3 440 414** |

# Detailed Income Statement

| | Note(s) | 2019<br>R | 2018<br>R |
|---|---|---|---|
| **Other operating expenses** | | | |
| Advertising | | (769 586) | (644 180) |
| Amortisation | | (88 595) | (45 642) |
| Auditors remuneration - external auditors | 13 | (175 751) | (119 478) |
| Bad debts | | (2 039 516) | (363 421) |
| Bank charges | | (79 794) | (89 244) |
| Compensation for loss of office | | (1 463 463) | - |
| Computer expenses | | (784 337) | (468 253) |
| Consulting and professional fees | | (830 154) | (81 143) |
| Depreciation | | (168 425) | (201 680) |
| Donations | | - | (1 000) |
| Employee costs | | (9 707 369) | (8 535 358) |
| Entertainment | | (23 298) | (441) |
| Expenditure on local institutes | | (87 516) | (23 487) |
| Insurance | | (188 598) | (55 060) |
| Lease rentals on operating lease | | (895 263) | (895 264) |
| Motor vehicle expenses | | (6 539) | (19 451) |
| Municipal expenses | | (350 977) | (395 673) |
| Office expenses | | (66 962) | (56 125) |
| Other expenses | | - | (419 472) |
| Postage | | (64 148) | (89 696) |
| Printing and stationery | | (198 533) | (169 712) |
| Repairs and maintenance | | (58 116) | (31 414) |
| Telephone and fax | | (181 361) | (277 363) |
| Travel - local | | (343 125) | (247 005) |
| | | **(18 571 426)** | **(13 229 562)** |