



# Chartered Secretaries

Southern Africa

## Annual Report

*For The Year Ended 31 December 2011*



# THE SOUTHERN AFRICAN INSTITUTE OF CHARTERED SECRETARIES AND ADMINISTRATORS

("CSSA" or "the company")

(Non Profit Company – Registration number: 1972/00007/08)

## ANNUAL REPORT– 31 DECEMBER 2011

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*Note: All references herein to "Chartered Secretaries Southern Africa" or to "the Institute" refer to The Southern African Institute of Chartered Secretaries and Administrators*

## CORPORATE INFORMATION 31 DECEMBER 2011

**Registered office and business address:**

Riviera Office Park (Block C),  
6 – 10 Riviera Road  
Killarney, Johannesburg, 2193

**Telephone:** 011 551 4000

**Fax:** 011 551 4028

**E-mail:** [icsa@icsa.co.za](mailto:icsa@icsa.co.za)

**Website:** [www.icsa.co.za](http://www.icsa.co.za)

**Postal address:**

P O Box 3146, Houghton, 2041

**Directors:**

MB Dialwa, MG Edmunds, RW Furney, AR Grant, YC Jefferies, L Kok, Z Lachporia, RD Lees, R Likhanga, KM Mathole, JM Parratt, R Pillay, JV Roberts, VE Russell, MA Sello, JE Shepherd, P Smit, S Smit, B Thebenyane, W Tichauer, RG Tiffin, RAB Tlhabanelo, CH Wessels, J Wolpert

**Chief Executive Officer:** S Sadie

## COMPANY PROFILE

Chartered Secretaries Southern Africa is the formal professional Institute for the enabling of corporate governance and company secretaryship as well as the expert commentator and thought leader in Southern Africa on governance matters. It is also a recognised qualification for accountants. CSSA is the professional qualifying body for Chartered Secretaries offering an international qualification recognised in more than 70 countries. The career-long programme of study comprises attainment of professional qualifications and requires continuing professional development (CPD), which ensures that members remain at the cutting edge of developments. CSSA represents Botswana, Lesotho, Namibia, South Africa and Swaziland.

### SKILLS, VISION, VALUES

Chartered Secretaries are high-ranking professionals with a broad base of skills unique among the professions. Trained in governance, law, accounting, and strategy, Chartered Secretaries provide a focal point for independent advice and guidance on the conduct of business, governance and compliance. They are key players with the skills, vision and values to take their organisations and clients forward.

### LEADERS IN GOVERNANCE AND COMPLIANCE

Chartered Secretaries understand that good governance is

fundamental to good business decision-making and organisational performance. Through our influence with Government and regulators, and the work of our Members, CSSA leads in shaping the governance agenda and promoting the best practice essential for organisational performance.

Candidates who have completed the CSSA International Qualifying Board Examination, gained the necessary work experience and who present the requisite character traits will be qualified to apply to be admitted as a Member of CSSA and become a 'Chartered Secretary'.

Continuing Professional Development endeavours to ensure that all of our members are able to remain at the forefront of the governance and accounting talent pool.

There is currently a shortage of qualified and experienced Chartered Secretaries, with demand on the increase in light of the new Companies Act (71/2008) and King III. This means that Chartered Secretaries can command competitive remuneration packages.

CSSA is an integral part of the international Institute of Chartered Secretaries and Administrators, which was founded in London in 1891. Southern Africa is the oldest division which was established in 1909. There are seven other divisions: Australia, Canada, China, Malaysia, New Zealand, Singapore and Zimbabwe.

## Executive Committee

### PRESIDENT

**NICKY EDMUNDS (M.G.) FCIS, FCIBM, B. COMPT, ADVANCED TRUST LAW**

Nicky has been the Company Secretary of E Oppenheimer & Son since 2002. She was previously Accountant at Trucking Plus.



### VICE PRESIDENT

**RAYMOND PILLAY FCIBM, ACIS**

Raymond is the finance manager for the Woolworths KZN supply chain. Raymond is Branch Chairman of the KZN Branch.



### SENIOR VICE PRESIDENT

**CARINA WESSELS (C.H.) FCIS, LLB, LLM**

Carina is Group Company Secretary of Exxaro Resources Ltd. She was previously the Legal Consultant (Company Secretarial) with Investec and Assistant Group Secretary at De Beers.



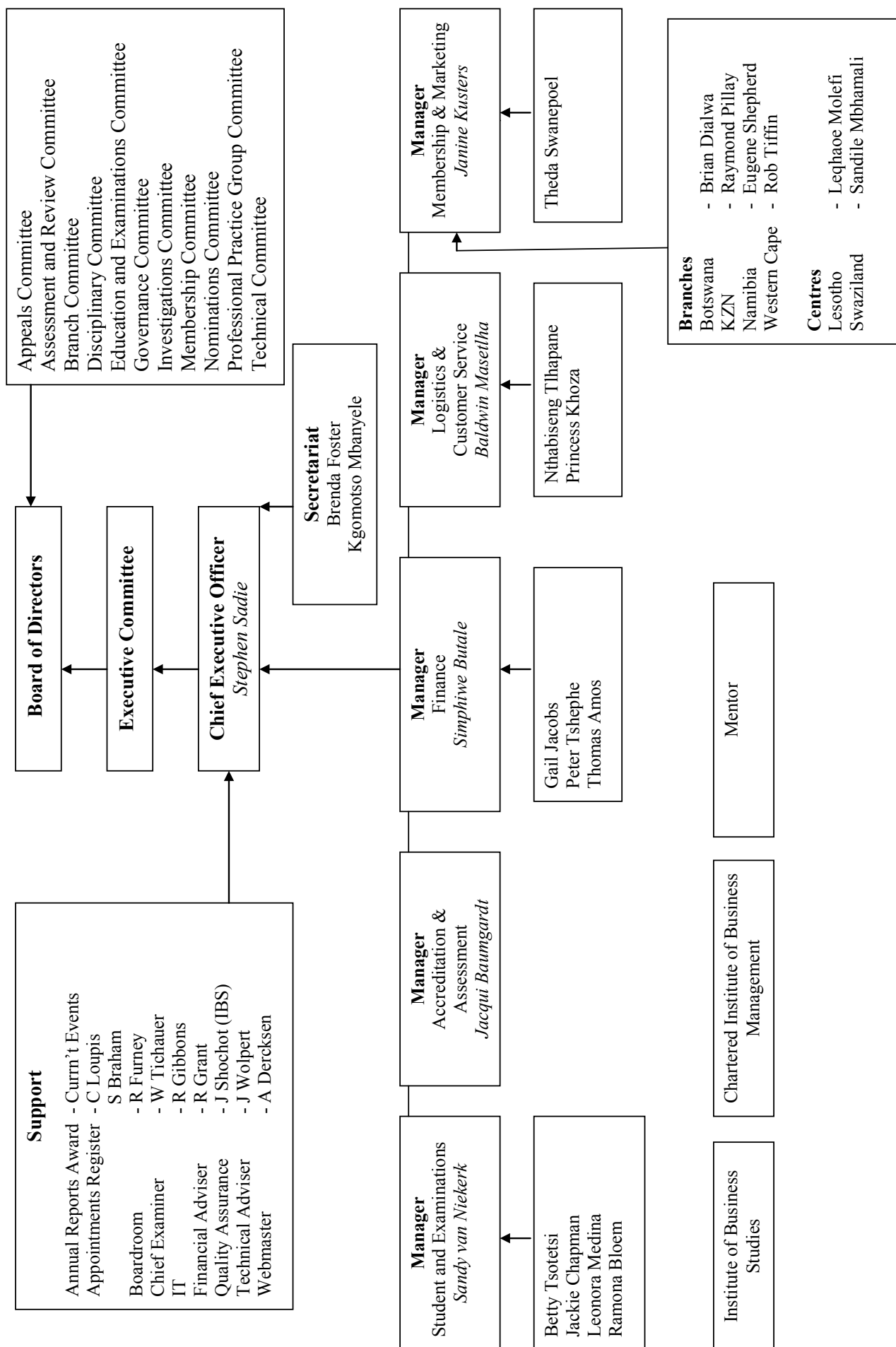
### PAST PRESIDENT

**BERT KOK (L) FCIS**

Bert is the Assistant Company Secretary Murray and Roberts. Bert was the Company Secretary of Netcare.



## Chartered Secretaries Southern Africa – Organogram





# Chief Executive Officer's Report

## INTRODUCTION

2011 was a critical year for corporate governance in Southern Africa. The Companies Act which was implemented on 1 May 2011, broadened the scope of corporate governance. Ironically, while on the one hand SA is recognised as a global corporate governance leader, on the other hand our newspapers illustrate some appalling corporate governance practices in both the public and private sectors. The task of our members and students is to narrow this gap.



CEO Stephen Sadie  
addresses the Annual  
Report Awards dinner



**Continuing professional development**

Company Secretary  
King III  
Companies Act  
Independent review  
Integrated reporting  
Accounting

A corporate conversation on:

**Practical aspects of company secretarial duties under the new Companies Act**

**Application of the New Companies Act and Regulations**

**Joel Wolpert**  
FCS (SA), FCSA, FICSA, FICSA  
Technical Advisor, CISA

**William Somerville**  
ACIS, ACCA, Systems in Corporate Law  
Former company secretary, ABSA

**Adv Rory Voller**  
BA (Law), LLB, LLM Commercial Law (Specialisation),  
Natali Commission – Corporate and Intellectual  
Property Commission (CIPC)

**Venue:** Chartered Secretaries Southern Africa, Riviera Road Office Park, 6-10 Riviera Road, Killarney

**Date:** Thursday 11 August 2011

**Time:** 09h00 – 10h30 (includes refreshments)

The workshop will cover:

- Conducting an AGM
- Group loans
- Directors' fees
- Financial statements audit review
- Board committees
- Round robin resolutions
- Troublesome definitions and anomalies/act and regulations
- New ways of incorporation and company formation
- Company names
- Annual returns
- Accountability and transparency
- Independent review, auditing and financial reporting standards
- Duties of directors

**Prices:**

Students	R300
Members	R400
Public	R500

**Prices:**

Students	R300
Members	R400
Public	R500

**Contact:** [ignition@icsa.co.za](mailto:ignition@icsa.co.za) to make your booking

Book by 8 August 2011 for Joel Wolpert and William Somerville and 26 August for Adv Rory Voller to avoid disappointment.

CEO - Stephen Sadie  
Telephone: +27 11 551 4000 Fax: 086 698 5095  
E-mail: [info@icsa.co.za](mailto:info@icsa.co.za) Block C, Riviera Office Park, 6-10 Riviera Road, Killarney, Johannesburg, South Africa (PO Box 3145, Houghton, 2041)

trifect  
SOLUTIONS  
FOR BUSINESS

BusinessDay  
SOUTH AFRICA

Website: [www.icsa.co.za](http://www.icsa.co.za)

## INTERNATIONAL

2011 was a significant year in the history of ICSA. We faced challenges of ICSA trying to close down Divisions and usurp members' contributions directly to London. However by 8 December 2011, the Divisions had mustered 10 000 votes to have proportional representation on the International Council. CSSA played a leading role in uniting the Divisions around this campaign. A special mention needs to go to Bob Lees, our international representative, who went beyond the call of duty in fighting on behalf of members from around the world. We also thank the president, our directors, the staff and of course, all of our members, who voted by proxy on this historic occasion. Never before in the long history of the Institute had members expressed their will so clearly and in such overwhelming numbers.

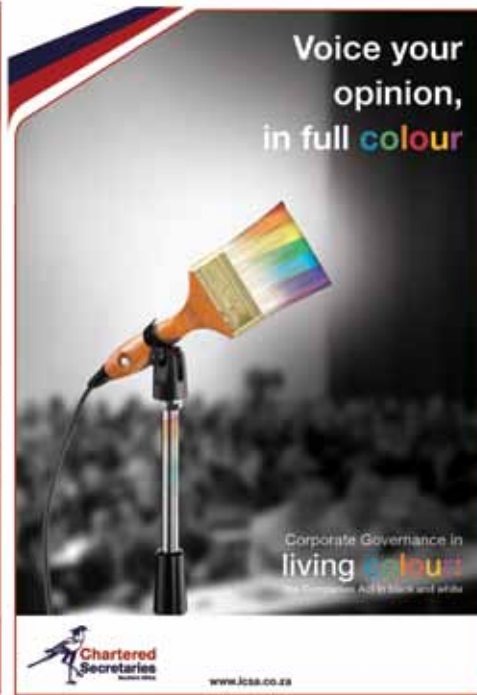
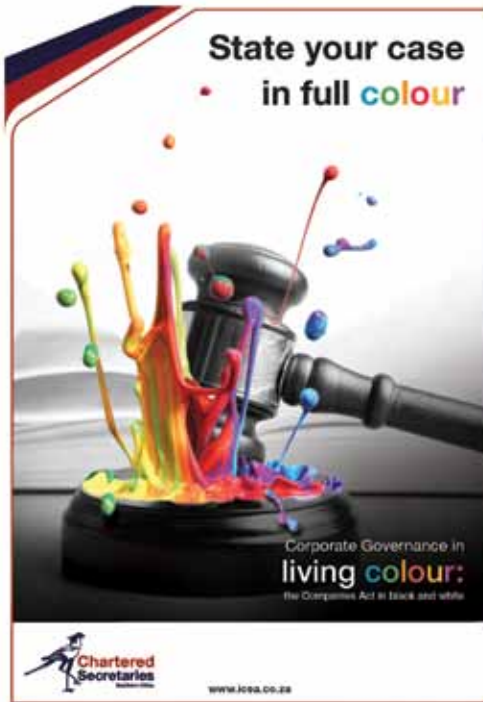


Joel Wolpert



Pat Mahony





Above: (L to R) Chris Gibbons, conference MC; Stephen Sadie; Nomathemba Thabethe, IDC; Ephy Moeti, IDC)



Above: CSSA ladies welcome guests at registration



The Conference Hall

## A final note to remind you

Corporate Governance in  
**living colour:**  
the Companies Act in black and white

Chartered Secretaries Southern Africa invites you to attend their premier corporate governance conference.  
**Come compare notes with the best in the business.**

Name	Position/Company	Topic
Sibani Mngomezulu	Group Executive, Governance and Corporate Affairs, Barloworld	Market abuse: insider trading
Zubair Wadee	Partner/Director, PricewaterhouseCoopers	Integrated reporting under the Companies Act
Ewald Muller	Senior Executive, Standards, SAICA	Understanding the new reporting and assurance requirements
Adv Rory Voller	Deputy Commissioner, Companies and Intellectual Property Commission (CIPC)	The registration system for business rescue practitioners
Theo Botha	CEO, CA – Governance	King III update and what role the company secretary should play in terms of good governance?
Prof Farouk Cassim	Professor, Faculty of Law, University of Johannesburg	Solvency and liquidity under the new Companies Act and the business judgment rule
David Shapiro	Deputy Chairman, Sasfin Securities (Pty) Ltd	Investor relations
Eric Levenstein	Director, Werkmans	Business rescue: problems and pitfalls
Stephen Sadle	CEO, Chartered Secretaries Southern Africa	Company secretaries internationally: a force to be reckoned with?
Dr Ven Pillay	Independent Contractor, Sustainability Edcon	The social & ethics committee of the Companies Act and the King III Integrated Report: Making the Link
Patrick Bracher	Director, Norton Rose	Identifying and insuring directors and prescribed officers
Tom Wiley	Author, "Corporate Governance"	Board and director evaluations
Cheri Kooka	CEO, Ratings Africa	Sound corporate governance without rules or codes
Mohamed Adam	Divisional Executive (Regulation & legal), Eskom	The company secretary's role in informing the board of the Companies Act
Joel Wolpert	FOIS, Technical Adviser, Chartered Secretaries Southern Africa	A job description for the company secretary under the 2008 Companies Act/King III
Raj Mahabeer	Chief Financial Officer, Auditor General South Africa	Aligning corporate governance and decision-making
Lynn McGregor	Senior Fellow, Corporate Governance Unit, Stellenbosch University	The company secretary's role in improving board behaviour
Jason Drew	International businessman & environmentalist	From industrial revolution to sustainability revolution – the business of repairing our future

Wanderers Club, Johannesburg: 13 – 14 September 2011

Conference costs (excludes Vat)			
Members & students	R4 500 pp	Public	R5 500 pp
		Gala Dinner 13th September	R350 pp

Book now to avoid disappointment: **Contact Colette 083 788 0010 or email: colettediamond@iburst.co.za**  
For more information visit [www.icsa.co.za](http://www.icsa.co.za)



**BusinessDay**  
NEWS WORTH KNOWING



The professional value offered to delegates was quite superb!" The conference took place on 13 – 14 September 2011 at the Wanderers Club in Johannesburg and was the Institute's biggest and best to date.

The Conference addressed a colourful range of topics covering all the aspects of the Companies Act, 2008, such as the new financial reporting requirements for different kinds of companies; business rescue arrangements; duties and responsibilities of directors; the role of the company secretary; and board committees.

From a governance aspect, topics ranged from general aspects of good governance such as King III and legislation; sustainability and ethics; board behaviour; and the company secretary's supporting role in assisting the board to stay focused and be effective.

A bevy of renowned speakers shared their experience and knowledge with the 150 delegates who were very impressed with the conference. The conference provided the ideal forum for lively debate and interchange of ideas.

## ANNUAL REPORT AWARDS

The 44<sup>th</sup> Annual Report Awards (ARA) took place at the Sandton Sun Hotel on 3 November 2011. Proudly hosted by Chartered Secretaries Southern Africa and the JSE Ltd, the ceremony recognised the importance of good reporting and was well attended by top companies from across South Africa. This year's theme was "the benchmark for integrated reporting". The event was attended by 400+ guests and the number of entries exceeded 100.

We bid farewell to CEO of the JSE Ltd, Mr Russell Loubser, who had spoken at the awards ceremony for a number of years. During his time as CEO, Russell managed to transform the JSE Ltd to become a world class operation which now prides itself on being ranked the number one exchange in the world for two years running. Mr Mzi Malunga, MD of the BDFM emphasised the importance of transparency and good communication in business. Comedian Riaad Moosa gave a top class performance as MC for the evening and Cathy del Mei and Elena Zlatkova serenaded the guests during the course of the evening.

## MARKETING

With the appointment of a membership and marketing manager in March, significant progress was made. Templates were created, the design of the CSSA publications was improved, the databases were

## CPDs

The CPD seminars offered chartered secretaries and the industry at large, the opportunity to stay abreast of current regulatory changes and developments in global best practice. 26 well-attended CPD sessions took place in Johannesburg, Durban and Cape Town over the year covering a wide range of topics. Speakers included leading presenters such as Mohamed Adam, Martie Foster, Rory Voller, Carina Wessels, Andrew Johnston, Caryn Maitland, Pat Mahony, William Somerville, Theo Botha, Joel Wolpert and Annemarie van der Merwe.

## CONFERENCE

The Institute held its third premier corporate governance conference with the theme "corporate governance in living colour: the Companies Act in black and white". According to Chris Gibbons, Conference MC, "This year's CSSA conference was by far and away the best I have been to so far this year, in terms of speaker expertise and content.





Above: The Annual Report Award dinner



Right: Trophies and certificates



Russell Loubser presents Darryl McMullen General Manager Group Financial Control Nedbank, with the Overall Winners Trophy



Dr Riaad Moosa, MC/ Comedian



Russell Loubser former CEO of the JSE





Farad Abdul Haffejee (Company Secretary, CEF Group); Andre Van de Zee (Trifecta Capital); Stephen Sadie (CEO Chartered Secretaries); Zubair Wadee (Partner-Director PwC)

cleaned up and a focussed marketing plan was approved. Trifecta Capital Services came on board as a sponsor of the CPDs. An aggressive marketing and



Nicky Edmunds addressing the 2011 graduation

media plan was implemented for the premier conference, which generated renewed awareness of CSSA and contributed to the high attendance at the event.

### STUDENTS

The Institute is very proud to report that our student



Graduation Dinner 2011



Graduates Dinner

base continued to grow and we are delighted that we are attracting young people from across the full spectrum of South African society. More and more young people are recognising the excellent opportunities available to those with a professional qualification. The Institute encouraged all of our students to continuously strive to be positive, to be determined to succeed and to see beyond the immediate barriers.

### MEMBERSHIP

Membership numbers grew in the financial year. Members participated in the first electronic surveys and the response rate was a positive indication that our members are active and very interested in the developments at CSSA. The Institute continues to offer members invaluable opportunities for professional development through discounted rates for CPD seminars, our monthly Technical Newsletter, an in-house dedicated Technical Adviser, networking opportunities and access to the Institute's endorsed appointments register. Further, on behalf of corporate South Africa the Institute continues to oversee that members are of requisite character, integrity and accountability to fulfil the demanding role of a company secretary and accountant.



Carina Wessels and Bob Lees with the prize winner for Communication, Alida Cronje

### SUSTAINABILITY AND TRANSFORMATION

CSSA is committed to genuine transformation at all levels of the organisation and as such prioritises advancement of employees through up skilling and training programmes. The Board and management are appropriately representative of the South African demographic profile.

The Institute acknowledges the imperative, particularly due to its area of expertise, to conduct its operations in a sustainable manner. When making decisions the Board and executive management have long-term sustainable development and triple-bottom line concerns in mind. As an educational institute, the Institute has a vital role in the upliftment of the educationally disadvantaged.

### APPRECIATION

The achievements of CSSA during the year would not have been possible without the hard work and commitment of Nicky Edmunds, our president, Exco, directors and our staff. I thank everyone for their invaluable contribution. The year ahead promises to be another challenging and rewarding one and I look forward to working together as we take CSSA, and the profession, to new heights.

Our guiding purpose is to best serve our students and members, and on behalf of the Institute, I thank them for their loyal support.

**Stephen Sadie (MBA, M. Ed)**  
Chief Executive Officer  
March 2012



## Governance Committee Report

The information below constitutes the report of the Governance Committee which serves as the Audit Committee.

The committee is chaired by J. Wolpert and further comprises RW Furney, AR Grant, RD Lees and W Tichauer.

The committee meets three times a year with additional meetings where required. Attendance at Committee meetings is set out on page 17. The Board of Directors is responsible for the administration of the funds of the Institute. The committee has an understanding of management's accounting processes, the method by which it compiles financial information, and the nature and extent of the external auditor's involvement in these processes.

The external auditors are appointed by the Board of Directors at the Annual General Meeting which also determines their fees on an annual basis.

The committee further determines the key risk areas facing the company and recommends measures to effectively mitigate these. Further, it is the responsibility of the committee to advise and update the Board on issues ranging from accounting standards to published financial information.

The Governance Committee is evaluated annually by the Board. The latter has concluded that the Committee has duly completed its responsibilities during the year. The Committee has assessed and is satisfied with the independence of the external auditor.



Joel Wolpert  
Governance Committee Chairman  
Johannesburg, 15 March 2012

## Statement on Corporate Governance 31 DECEMBER 2011

Chartered Secretaries Southern Africa, a Non Profit Company in terms of the Companies Act 71 of 2008, is fully committed to applying sound corporate governance principles in accordance with the highest global and local standards. To this end, it is in the process of adapting the Institute's policies and processes to comply as necessary with the King III Report. We continuously update our policies so as to remain compliant with King III to the extent practicable.

In line with the 'apply or explain' approach set out in the King III Report, the Directors will continue to state the extent to which good corporate governance principles are applied in the company. The Board does not consider this a static responsibility and will endeavour to ensure ongoing compliance in line with developments in corporate governance in South Africa and internationally.

The company operates under a delegation agreement with the Institute of Chartered Secretaries and Administrators in the United Kingdom and the Committee for Southern Africa. In terms of this delegation agreement, certain rights and obligations are transferred to the Committee for Southern Africa. In turn certain of these rights and obligations are transferred to Chartered Secretaries Southern Africa.

### BOARD OF DIRECTORS

All Directors are non-executive and are elected in terms of the Institute's Memorandum of Incorporation ("MOI"). The MOI codifies the Board's composition, appointment, authorities, responsibilities and processes and sets out the roles of the Board. In terms of the MOI, the Board should comprise between ten and thirty members. As at 31 December 2011, the Board comprised 24 Directors who meet regularly, retain effective management over the affairs of the Chartered Secretaries Southern Africa and monitor management. A list of directors is set out on page 1 and the photos of each director can be found on page 13.

The President of the Institute acts as Chairman of the Board. The roles of President, Mrs MG Edmunds and Chief Executive, Mr S Sadie, a non director, are separate in accordance with the King III recommendations so as to ensure that no single Director can exercise unfettered powers of decision-making.

The Board deliberates over a range of key issues to ensure proper direction and management of the company. The President provides the Board with leadership and guidance, encourages proper deliberation of all matters requiring the Board's attention and obtains optimal input from the other Directors. Within defined levels of authority, the Chief Executive has the responsibility to implement all decisions taken by the Board. Further, he is accountable to the Board for the effective functioning of the Institute within Board-determined policy guidelines.

The Board meets at least four times a year with additional ad-hoc meetings convened when required. Directors are comprehensively briefed well in advance of these meetings to facilitate meaningful deliberation and contribution. Where possible the Board aims to unanimously approve Board decisions.

All Directors have unhindered access to all company records, information, documents and property. All Directors are entitled to seek independent professional advice on any matters pertaining to the company where they deem this to be necessary, at the expense of the Institute.

The following changes took place in 2011:

<b>Name</b>	<b>Notes</b>
Farrel C	Resigned 1 March
Murton VM	Resigned 12 May
Naidoo V	Resigned 1 March
Sithole AM	Resigned 18 August
Smit PF	Appointed 12 May

## **BOARD PROCESSES**

### **Annual evaluation**

The group's Directors, associate Boards and Chief Executive Officer are assessed on an annual basis.

### **Annual General Meetings**

Board members are encouraged to attend all of the company's special and annual general meetings in order to promote meaningful interaction with stakeholders. Attendance by all Board committee chairs is mandatory.

The Annual General Meeting has the purpose of:

- receiving and considering the audited annual financial statements for the past year and the report of the Board of Directors on the business of the Institute and the auditors' report;
- the appointment and fixing of the remuneration of the auditors;
- announcing the result of the election of members to the Board of Directors for the following year; and
- the consideration of any other matter of which due notice has been given.

Minutes of procedures and resolutions at all meetings are distributed timeously to members.

### **Rotation of the Board**

According to the Memorandum of Incorporation, one-third of the longest-serving Board members (excluding branch chairs, functional chairs, International Office bearers, and past Presidents) are required to retire at each Annual General Meeting. Being eligible, these Directors may be re-elected without re-nomination.

### **Nominations and appointments**

The Board is responsible for appointing new Directors in a formal and transparent process, with the Board as a whole being responsible for approval. Nomination as a Director requires nomination by two members and the consent of the nominated member. The CEO assumes responsibility for the informal but comprehensive induction programme which provides new appointees with a comprehensive strategy and operational briefing including copies of the most recent financial results, budgets as well as management accounts. Some of the documents that are distributed to the Directors include the annual report, Memorandum of Incorporation, the charter and bye laws, the declaration of interest forms, the rights and duties of directors, the risk report and the strategic plan.

### **Remuneration of Directors and members of Committees**

Directors of the Board and Board Committee members receive no remuneration.

### **Conflicts of interest**

All Directors are obligated to disclose any conflict or potential conflict of interest at Board and Board Committee meetings.

### **Company secretary**

The Institute does not deem it necessary to appoint a full-time Company Secretary. The Chief Executive under the guidance of the Executive Committee is responsible for ensuring compliance with relevant legislation and regulations. He is further responsible for continually updating the Board on legislative and/or regulatory developments. Due to most Directors also being employed in this field, they are regarded generally as being appropriately aware of Corporate Secretarial practices.

### **BOARD COMMITTEES**

In order to effectively discharge its duties and responsibilities, the Board has a number of committees that attend to specific aspects of the Institute's affairs. The President is an ex-officio member of all Committees. Certain committees also co-opt specialists, who are not members of the Institute, to assist in their deliberations. Senior members of staff attend, but are not members of the committees.

The Directors recognise that they are ultimately accountable and responsible for the performance and the affairs of the company and that the use of these delegated authorities in no way absolves the Board of the obligation to carry out its duties and responsibilities. The external auditors are given unrestricted access to the President and members of the Board and attend all meetings of the Governance Committee. The Board is of the opinion that its interests, and those of the Institute, are suitably served by retaining the auditors to fulfil this function.

### **Executive Committee**

The Executive Committee comprises the President, two Vice-Presidents and the immediate Past-President. The Committee looks after the management of the Institute in between Board meetings. The Committee considers detailed matters such as issues relayed to the Committee by the Board or which are yet to be referred to the Board.

### **Governance Committee**

The Governance Committee is chaired by J. Wolpert. This Committee considers matters pertaining to good corporate governance arising from the Institute's business, covering areas such as internal controls, risk and audit. The Audit Report is set out on page 19 of the annual report.

### **Nominations Committee**

A nominations committee has the responsibility of considering nominations received from members and short listing them for the Board to consider.

### **Professional Practice Group ("PPG")**

This Committee considers matters pertaining to PPG activities and communicates with and assists members by providing seminars and technical information. The committee ensures that practising members of the Institute conduct themselves in such a manner and with professional efficiency to create public awareness of, and demand for, the professional service available from practising members.

### **Technical Committee**

This Committee considers matters arising from changes to legislation, the listings requirements of the JSE Limited and corporate governance and how these changes or proposed changes can have an impact on enterprises, accounting practices and taxation.



## BOARD OF DIRECTORS



MB Dialwa

MG Edmunds

RW Furney

AR Grant



YC Jefferies

L Kok

Z Lachporia

RD Lees



R Likhang

KM Mathole

JM Parratt

R Pillay



JV Roberts

VE Russell

MA Sello

JE Shepherd



P Smit

S Smit

B Thebenyane

W Tichauer



RG Tiffin

RAB Tlhabanelo

CH Wessels

J Wolpert

### **Education and Examinations Committee**

All examination and educational matters, as well as maintaining the standard and integrity of the examinations fall under the brief of this Committee.

### **Assessment and Review Committee**

As a sub-committee of the Education and Examinations Committee, this Committee manages the Institute's overall assessment process and ensures compliance by all role players. Further, it reviews all examination question papers and results to ensure international and local standards are maintained.

### **Membership Committee**

This Committee decides on applications for admission as Associate or Fellow of the Institute. It is accountable to the Committee for Southern Africa, but has to adhere to international standards and practices.

### **Disciplinary Committees**

These Committees are accountable to the Committee for Southern Africa.

#### **1. The National Disciplinary Investigations Group**

This body is required to investigate all matters relating to alleged misdemeanours of members.

#### **2. National Disciplinary Tribunal**

This body has the responsibility to review the findings of the National Disciplinary Investigations Group.

#### **3. National Appeals Committee**

This body reviews any appeals lodged.

## **INTERNAL CONTROL AND RISK MANAGEMENT**

### **Internal Control**

The Institute maintains systems of internal control over operations and functions such as membership records, examination results and the award of certificates and financial reporting as well as the safeguarding of assets against unauthorised use or disposition. These systems are designed to provide reasonable assurance to the Institute's management and Board regarding internal control, the preparation of reliable published financial statements and the safeguarding of the Institute's assets.

Any identified deficiencies in the system of internal controls are corrected immediately to improve these systems. An effective internal control system can provide only reasonable, but not absolute, assurance with respect to financial statement preparation and the safeguarding of assets. Therefore, inherent limitations to the effectiveness of any system of internal control exist, including the possibility of human error and the circumvention or overriding of controls. Furthermore, effectiveness of internal control systems change with circumstances. The Governance Committee regularly receives reports on and reviews the effectiveness of internal controls and the exercise of delegated authority. As part of an internal review during the year, an assessment of various internal control functions across the Institute was carried out and found acceptable. No major deficiencies were identified.

### **External Audit**

It is the responsibility of the external auditor, Valentine Sargeant, to report on whether the annual financial statements are presented in compliance with International Financial Reporting Standards (IFRS). They perform an assessment of internal controls as part of the audit, but the preparation of the annual financial statements remains the responsibility of the Directors.

Where the external auditors are appointed for non-audit purposes, such as tax compliance services, the Governance Committee must approve these services prior to the auditors providing such services in line with anti-conflict guidelines designed to maintain independence, and ensure these are in line with independence requirements.

### **Internal Audit**

The internal audit function is the ongoing responsibility of the Governance Committee. However, due to the active involvement of Exco and the Governance Committee members in the Institute and the size and nature of the Institute, a permanent internal audit function has not been established.

The internal audit function contributes to improved operations by examining and evaluating operational activities, identifying relevant risks and affirming the reasonable effectiveness of internal control systems. It has the responsibility of monitoring risk, the accuracy of information within the Institute, compliance with standard operating procedures, regulatory compliance by the Institute and its employees, the economic and efficient use of Institute resources and output quality control.

### **Risk Management**

The Governance Committee is responsible for identifying and addressing the management of all operational, reputational and financial risk. The Committee is satisfied that all key business risks are being addressed. The Chief Executive Officer presents a risk report to every Board, EXCO and Governance Committee meeting.

The major risks facing CSSA are as follows, together with relevant risk mitigation processes:-

#### ***Relationship with ICSA International***

CSSA operates as a South African NPC, with its relationship to ICSA International being governed in terms of a delegation agreement with ICSA International. The constitutional structure of ICSA International ensured a majority of UK Council members on the International Council. During the past financial year, there was an attempt by the Council to usurp CSSA's control over the Southern African Division's members' subscriptions. In response thereto, CSSA amended its MOI to eliminate any constitutional dependency on ICSA International.

During the second half of the year, CSSA played a major role together with other divisions in galvanising a members' requisitioned meeting in order to propose resolutions designed to protect members' right, and not Council only, to amend byelaws, as well as ensuring that representation on International Council is proportionate to members' numbers throughout the Divisions, and cannot be dominated by a UK majority. The Divisions mustered more than 10 000 votes against the resolutions of Council which proposed to unilaterally amend a whole raft of byelaws in a manner inimical to members' interests, and also garnered more than 10 000 votes in favour of the requisitioners' motions.

The risk posed by the UKRIAT majority on International Council remains until the byelaw changes in the notice of the general meeting on 8 December 2011, are approved by the Privy Council. Bob Lees, one of our directors, serves on a working group of four international members tasked to take this matter forward.

#### ***Decline in membership numbers and ageing profile of member population***

There has been a steady decline in membership numbers over the past 10 years with reduced applications from the student pipeline. However we have managed to increase membership numbers despite the impact of emigration and an ageing profile. Our recent assertive and imaginative marketing has raised the perception of CSSA in the corporate world. There is a direct link between student growth, examination results and membership. CSSA will endeavour to encourage membership applications to the pool of graduates.

#### ***Decline in student enrolments and availability of tuition providers***

After many years of decline, student numbers have begun to increase. There has been an upsurge of exemption/board registrations from legal and commerce graduates wishing to pursue a career in corporate governance. The number of student enrolments, coupled with the pass rate, creates the quantitative pool for membership growth. This risk is also being managed by a marketing effort endeavouring to enhance the perception of our qualification as well as robustly recruit student enrolments from school leavers and university graduates wishing to enhance their qualifications. There is also a definite correlation between pass rates and the availability of suitable and conveniently situated tuition providers. CSSA continues to build links with tuition providers throughout the division.

### **STAKEHOLDER COMMUNICATIONS**

Chartered Secretaries Southern Africa is committed to timely, consistent, open and transparent communication with all relevant stakeholders. Stakeholders are timeously informed about and encouraged to attend special and



Annual General Meetings. Stakeholder queries are directed on an ongoing basis to the Chief Executive Officer who also communicates with the press to ensure accurate reporting and to raise the profile of the Institute.

The Institute further communicates with stakeholders through:

- The e-Zine – a bi-monthly electronic newsletter;
- The Boardroom magazine – a quarterly magazine covering industry issues;
- The website;
- Regular CPD seminars;
- Regular emailers to members on upcoming events or news; and
- An annual conference on corporate governance.

### **CODE OF ETHICS**

The Institute operates in terms of a formal Code of Ethics. The Code aims to facilitate the enforcement of ethical standards through disciplinary procedures. Adherence to the Code is a condition of membership. Overall, the Institute requires its members to perform its duties and responsibilities with objectivity, honesty, integrity, diligence and with courtesy towards others. The Code requires members not to act in conflict with the legitimate interest of their employer or client or to act in any way which may detract from the reputation of the Institute. The Code outlines the commitment to sound and ethical business practices and stipulates the operational standards to which all employees are required to subscribe. It further supports good corporate governance and responsibility.

According to the Code, members are obliged to maintain current knowledge by way of attending CPD courses. Practising members are required to retain professional independence, ensure confidentiality when dealing with sensitive information, deliver professional work and to use the designation 'Chartered Secretary' correctly.

Procedures exist whereby allegedly errant members not following the provisions of the Code may be investigated by the National Disciplinary Investigation Group, which would in turn forward its findings to the National Disciplinary Tribunal.

### **SUSTAINABLE DEVELOPMENT**

The Institute is strongly committed to sustainability and transformation and continually strives to act as a responsible corporate citizen. It acknowledges the business imperative to conduct its operations in a sustainable manner. When making decisions the Board and executive management have long-term sustainable development and triple-bottom line concerns in mind.

The Institute's qualification has a unique role in the upliftment of the educationally disadvantaged. In this regard the Institute is linked to its associate organisations, the Institute of Business Studies and the Chartered Institute of Business Management.

### **EMPLOYMENT EQUITY**

The Institute has the commitment to create a workplace in which individuals, regardless of their background, race or gender can develop rewarding careers at all levels. The Board and management are appropriately representative of the South African demographic profile.

- Black and female representation make up 38% and 29% of the Board, respectively.
- Black and female representation make up 33% and 50% of management respectively.
- Black and female representation make up 61% and 72% of the staff respectively.

### **Skills Development and Training**

The Institute prioritises ongoing training to facilitate continual development of staff attending relevant CPD seminars and FASSET workshops.

### **Health and Safety**

The Institute is committed to a safe and healthy working environment and ensures its strict compliance with the South African Occupational Health and Safety Act, 1993. Matters of employee health and safety are addressed as part of the responsibilities of management.

## 2011 MEETING ATTENDANCE SCHEDULE

Board of Directors		Nominations Committee		Executive Committee		Committee for Southern Africa	
Dailwa MB	3/4	Kok L (Chair)	2/2	Edmunds MG (Chair)	5/5	Dailwa MB	3/4
Edmunds MG	4/4	Parratt J	2/2	Kok L	4/5	Edmunds MG	4/4
Furney RW	3/4	Sello MA	1/2	Parratt J	2/2	Furney RW	3/4
Grant AR	4/4	Thebenyane B	1/2	Pillay RD	1/3	Grant AR	4/4
Jefferies Y	4/4	<b>Governance Committee</b>		Wessels CH	4/5	Jefferies Y	3/4
Kok L	4/4	Wolpert J (Chair)	3/3	<b>EDEX Committee</b>		Kok L	4/4
Lachporia Z	3/4	Furney RW	3/3	Tichauer W (Chair)	2/2	Lachporia Z	0/4
Lees RD	4/4	Grant AR	3/3	Martin G	2/2	Lees RD	4/4
Likhang R	3/4	Lees RD	3/3	Shochot J	2/2	Likhang R	3/4
Mathole KN	1/4	Tichauer W	3/3	<b>Membership Committee</b>		Mathole KN	0/4
Murton VM	1/1	Broome R	3/3	Furney RW (Chair)	4/4	Murton VM	1/1
Parratt J	2/4	<b>PPG Committee</b>		Lees RD	3/4	Parratt J	2/4
Pillay R	3/4	Jefferies Y (Chair)	5/5	Roberts JV	3/4	Pillay R	3/4
Roberts JV	4/4	Knight H	5/5	Russell V	4/4	Roberts JV	4/4
Mphotho BT	4/4	Malan D	4/5	Smit S	1/4	Mphotho BT	4/4
Russell VE	3/4	Mpye T	5/5	Tichauer W	4/4	Russell VE	3/4
Sello MA	11/4	Nkuna R	3/5	<b>Branches</b>		Sello MA	11/4
Shepherd E	4/4	Piyose T	3/5	Dialwa B	3/4	Shepherd E	4/4
Sithole AM	2/3	Shaw M	2/5	Mbhamali S	3/4	Sithole AM	2/3
Smit PF	1/2	Southgate K	4/4	Molefi L	2/4	Smit PF	1/2
Smit S	2/4	Russell V	4/5	Pillay R	2/4	Smit S	2/4
Thebenyane B	3/4	Tichauer R	0/5	Shepherd EJ	3/4	Thebenyane B	3/4
Tichauer W	4/4	Wolpert J	3/5	Tiffin R	2/4	Tichauer W	4/4
Tiffin RG	2/4	<b>Assessment &amp; Review Committee</b>				Tiffin RG	2/4
Tlhabanelo RB	2/4	Tichauer W (Chair)	2/2			Tlhabanelo RB	1/4
Wessels CH	1/4	Martin G	2/2			Wessels CH	1/4
Wolpert J	3/4	Shochot J	2/2			Wolpert J	3/4

## Directors' Responsibility in relation to the Annual Financial Statements

The directors of the Institute are responsible for the maintenance of adequate accounting records and for the preparation of annual financial statements that fairly present the state of affairs of the Institute. The annual financial statements have been prepared by management in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in South Africa, and are based on appropriate accounting policies and incorporate full and reasonable disclosure which have been consistently applied.

The directors are also responsible for the Institute's systems of internal control, which are designed to provide reasonable, but not absolute, assurance as to the integrity and reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of its assets and to prevent and detect material misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on a going concern basis and nothing has come to the attention of the directors to indicate that the Institute will not remain a going concern for the foreseeable future.

These annual financial statements set out on pages 20 to 36 were approved by the Board of Directors on 15 March 2012 and signed on its behalf by:



M G Edmunds  
Director



C H Wessels  
Director



S Sadie  
Chief Executive Officer

**Note:** In terms of Section 29 of the Companies Act, the Directors report that the Annual Financial Statements have been audited in compliance with section 30(2) (b) of the Companies Act and that they have been prepared under the supervision of the CEO, Stephen Sadie, MBA, M.Ed (Wits)



**Chartered Accountants (SA)**

4th Floor Wale Street Chambers, 38 Wale Street

PO Box 905 Cape Town 8000 South Africa

Tel (021) 424 8817/18/19 Fax (021) 424 4898

International +27 21 • E-mail: [valsarge@iafrica.com](mailto:valsarge@iafrica.com)

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SOUTHERN  
AFRICAN INSTITUTE OF CHARTERED SECRETARIES AND  
ADMINISTRATORS NPC**

We have audited the annual financial statements of The Southern African Institute of Chartered Secretaries and Administrators NPC, which comprise the statement of financial Position as at 31 December 2011, and the statement of comprehensive income, statement of accumulated funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 36.

*Directors' Responsibility for the Financial Statements*

The Institute's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act in South Africa. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall financial statement presentation.

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

*Opinion*

In our opinion, these financial statements fairly present, in all material respects, the financial position of the Institute at 31 December 2011 and the results of its operations and cash flows for the year then ended in accordance with the International Financial Reporting Standards and in the manner required by the Companies Act in South Africa.

*Valentine Sargeant*

Valentine Sargeant  
Chartered Accountants (S.A.)  
Registered Accountants & Auditors  
15 March 2012



A Member of AGN International Ltd  
A worldwide association of separate and independent  
accounting and consulting firms

Richard Ernest Broome CA (SA)

Dennis George Irwin B Comm CA (SA)

# REPORT OF THE DIRECTORS

31 DECEMBER 2011

## INTRODUCTION

The Institute operates as a Non Profit Company in terms of the Companies Act 71 of 2008. Being a professional examining body, it continues to provide an examination that satisfies the demands for competence on the part of trained and qualified corporate secretaries and administrators in the private and public sectors. The Institute serves qualified professionals and provides a wide range of services to its members such as technical information and seminars. A further purpose is ensuring that the name and reputation of the Institute, and thereby its members, remain uppermost in the mind of decision makers and employers. In addition, it provides administrative services to associated Institutes.

There has been no material change in its activities during the year under review. Directors of the Board are required to perform their duties in accordance with the Companies Act whilst at all times embracing the principles of good corporate governance.

## GENERAL REVIEW OF BUSINESS AND OPERATIONS

Details of the results and financial position are set out in the accompanying annual financial statements.

## RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Board is of the opinion that the annual financial statements fairly present the financial position of the Institute at 31 December 2011, and the results of its operations and cash flow information for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act. The Directors are satisfied that the internal accounting controls are adequate to ensure the reliability and integrity of financial information, the safeguarding of assets and the accomplishment of established objectives.

The Board, based on current financial position, the projected cash flows and the budget for 2012, is satisfied that the Institute has adequate resources to continue to operate for the foreseeable future. Accordingly, the Institute continues to adopt the going concern assumption in preparing the annual financial statements.

## BOARD OF DIRECTORS

The directors received no remuneration for their services as directors during the year under review. Any related party transactions with directors are disclosed in note 19.

## CORPORATE GOVERNANCE

The Directors support the principles of openness, integrity and accountability. Fundamental to the fulfilment of corporate responsibilities and achievement of financial objectives is an effective system of corporate governance.

The Institute has endorsed the King Code of governance principles which forms part of the King III Report on Corporate Governance. The Directors will endeavour to ensure that the Institute and its associated Institutes apply the principles of King III which are relevant to the affairs of the Institute.

## ASSOCIATED INSTITUTES

The Institute manages the Institute of Business Studies and The Chartered Institute of Business Management, both of which are Non Profit Companies in terms of the Companies Act 71 of 2008, as well as The Business Administrators' Educational Foundation (MENTOR), a Trust. Neither the financial results nor financial position of these entities has been incorporated into these financial statements.

## POST BALANCE SHEET EVENTS

There were no significant events or circumstances between the date of the financial statements and the date of this report.

## REGISTERED OFFICE AND BUSINESS ADDRESS

Riviera Office Park (Block C), 6 – 10 Riviera Road, Killarney, 2193

## POSTAL ADDRESS

P O Box 3146, Houghton, 2041

## CHIEF EXECUTIVE OFFICER

S. Sadie

# STATEMENT OF COMPREHENSIVE INCOME

## for the year ended 31 DECEMBER 2011

	Notes	2011 R	2010 R
<b>INCOME</b>			
Fees - students		4 261 812	3 602 058
Subscriptions – members and technical newsletter		4 612 264	4 004 437
Interest received	3	211 195	216 640
Other income	4	2 575 923	1 963 296
Total income		<b>11 661 194</b>	<b>9 786 431</b>
<b>EXPENDITURE</b>			
Operating and administration costs	5	10 501 751	9 020 212
International Institute capitation fees		257 352	252 590
Depreciation		69 576	81 803
Audit fees		108 900	99 000
Total expenditure		<b>10 937 579</b>	<b>9 453 605</b>
<b>OPERATING SURPLUS</b>		723 615	332 826
<b>OTHER COMPREHENSIVE INCOME</b>			
Cost of Relocation		0	(201 118)
Non-Recurring expenditure - Legal Fees and overseas travelling	20	(524 829)	0
Post-retirement medical expense	12	(121 477)	(112 488)
<b>NET SURPLUS FOR THE YEAR</b>		<b>77 309</b>	<b>19 220</b>

## STATEMENT OF FINANCIAL POSITION

at 31 DECEMBER 2011

	Notes	2011 R	2010 R
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	6	236 216	286 024
Trade Marks	7	15 000	15 000
		<u>251 216</u>	<u>301 024</u>
<b>Current assets</b>			
Inventories	8	35 375	51 973
Trade and other receivables	9	404 702	473 409
Bank balances, cash and short term deposits	10	5 450 380	4 712 473
		<u>5 890 457</u>	<u>5 237 855</u>
<b>TOTAL ASSETS</b>		<b><u>6 141 673</u></b>	<b><u>5 538 879</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated profit		1 748 865	1 671 556
Professional Practice Group Fund	11	945 666	916 644
		<u>2 694 531</u>	<u>2 588 200</u>
<b>Non-current liability</b>			
Post-retirement medical aid liability	12	<u>900 000</u>	<u>900 000</u>
<b>Current liabilities</b>			
Trade and other payables	13	2 302 881	1 941 644
Amounts due to International Institute		244 261	109 035
		<u>2 547 142</u>	<u>2 050 679</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>6 141 673</u></b>	<b><u>5 538 879</u></b>



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 DECEMBER 2011

	Accumulated profit R	Professional Practice Group Fund R	Total R
<b>Balance at 1 January 2010</b>	<b>1 652 336</b>	<b>889 342</b>	<b>2 541 678</b>
Net surplus for the year	19 220	27 302	46 522
<b>Balance at 31 December 2010</b>	<b>1 671 556</b>	<b>916 644</b>	<b>2 588 200</b>
Net surplus for the year	77 309	29 022	106 331
<b>Balance at 31 December 2011</b>	<b>1 748 865</b>	<b>945 666</b>	<b>2 694 531</b>

## STATEMENT OF CASH FLOWS

for the year ended 31 DECEMBER 2011

	Notes	2011 R	2010 R
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		11 449 998	9 786 431
Payments made to suppliers and employees		(10 782 041)	(8 987 490)
Cash generated by/(utilised in) operations	14	667 957	798 941
Investment income		211 195	216 640
Post-retirement medical aid contributions		(121 477)	(112 488)
Net cash from operating activities		<u>757 675</u>	<u>903 093</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment to maintain operations:			
- Acquisition of furniture, computers and equipment		<u>(19 768)</u>	<u>(264 275)</u>
Net cash from/(used in) investing activities		<u>(19 768)</u>	<u>(264 275)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		737 907	638 818
Cash and cash equivalents at the beginning of the year		4 712 473	4 073 655
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	10	<u>5 450 380</u>	<u>4 712 473</u>

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 31 DECEMBER 2011

### PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are presented in South African Rand, the currency of the country in which the Institute is incorporated.

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis, modified by the revaluation of financial instruments where applicable, and in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the presentation of these financial statements and which are consistent with the prior year, are set out below:

#### 1.1 EQUIPMENT

Equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated lives, using the straight line method.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

#### 1.2 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 1.3 RETIREMENT BENEFITS

The policy of the Institute, subject to the rules of the Pension Fund, is to provide retirement benefits for its employees. Current contributions to the defined contribution retirement benefit pension fund are based on a percentage of salaries cost and are charged as an expense in the period in which they are incurred.

The Institute has a policy whereby it pays post-retirement medical costs on behalf of certain retired employees. Previously, the liability in this respect was not raised. In accordance with IAS19 – employee benefits, this liability was quantified and a transitional liability was raised in terms of the transitional provisions.

#### 1.4 REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for rebates and other similar allowances.

##### ***Fees***

Examination fees are recognised on payment of registration fees.

##### ***Subscriptions***

Subscriptions are recognised when no significant uncertainty as to its collectability exists.

##### ***Interest received***

Interest revenue is accrued on a time apportionment basis, by reference to the principal outstanding and the interest rate applicable.

## 1.5 IMPAIRMENT

At each balance sheet date, the Institute reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any) and is recognised in the income statement.

## 1.6 FINANCIAL INSTRUMENTS

The Institute's financial instruments consist mainly of investments, bank balances and cash, short term deposits, trade receivables, trade payables and amounts due to the International Institute.

Financial instruments mentioned above, are stated at their fair values.

The Institute does not use derivative instruments nor does the Institute speculate in the trading of derivative instruments.

### *Financial assets*

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on 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 asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

### *Financial assets at FVTPL*

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

*A financial asset is classified as held for trading if:*

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Institute manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Institute's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss.



**Investments**

Investments comprise bank deposits held by the company with an original maturity of three months or less. Investments are recognised on purchase date and are measured at fair value, plus transaction costs. The carrying amount of these assets approximates their fair value.

**Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the Institute's past experience of collecting payments.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**Derecognition of financial assets**

The Institute derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Institute neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Institute recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Institute retains substantially all the risks and rewards of ownership of a transferred financial asset, the Institute continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities**

The Institute does not have any financial liabilities other than borrowings and trade payables which are classified as "other financial liabilities".

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

***Derecognition of financial liabilities***

The Institute derecognises financial liabilities when, and only when, the Institute's obligations are discharged, cancelled or they expire.

**1.7 PROVISIONS**

Provisions are recognised when the Institute has a present constructive or legal obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

**1.8 LEASING**

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**1.9 CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Critical accounting judgments in applying the entity's accounting policies**

In the process of applying the entity's accounting policies, which are described above, management did not make any judgments that had any significant effect on the amounts recognised in the financial statements.

***Key sources of estimation uncertainty***

There were no key assumptions concerning the future, or any other key sources of estimation uncertainty at the balance sheet date, which could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

**1.10 FOREIGN CURRENCIES**

In preparing the financial statements, transactions in currencies other than the Institute's functional currency are recorded at the dates of the transactions. At the balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Exchange differences are recognised in profit or loss in the period in which they arise.

	2011 R	2010 R
<b>2. CHANGE IN RATE OF DEPRECIATION</b>		
Decrease in depreciation	12 227	39 310
A decision was taken in 2010 to write off the costs of Computers on a three year straight line basis from the 2010 year.		
<b>3. INTEREST RECEIVED</b>		
Interest received - funds on deposit and short-term call	211 195	216 640
<b>Total interest received</b>	<b>211 195</b>	<b>216 640</b>
<b>4. OTHER INCOME</b>		
Prior year net income recoveries	141 771	79 952
Unallocated deposits	971	(27 836)
Conference Endorsements	125 155	30 705
Sale of technical support material	6 488	(5 030)
Seminars	221 714	108 692
Secretarial fees - CIBM	1 401 400	1 273 997
- IBS	392 700	249 000
- PPG	263 145	234 400
Royalties	22 579	19 416
<b>Total other income</b>	<b>2 575 923</b>	<b>1 963 296</b>
<b>5. OPERATING AND ADMINISTRATION COSTS</b>		
Administration expenses	341 175	143 270
Award ceremonies	149 511	113 408
Loyalty program	66 290	-
Boardroom magazine	137 746	140 456
Branch expenses	63 470	87 333
Computer expenses	140 291	139 357
Contractors fees – managerial	180 734	137 788
Examination expenses	973 073	825 273
Hire of office equipment	130 258	169 929
Insurance	46 554	38 870
Profit on sale of assets	-	(3 954)
Marketing expenses	403 602	760 147
Motor vehicle expenses	42 889	13 924
Postage and telephones	485 405	340 807
Printing and stationery	162 441	175 483
Rental and electricity	1 115 001	695 421
Salaries and wages	5 305 666	4 467 603
Technical support	330 145	322 350
Travel and meetings – domestic	192 348	272 326
Travel and meetings – international	235 152	180 421
<b>Total operating and administration costs</b>	<b>10 501 751</b>	<b>9 020 212</b>

## 6. EQUIPMENT

	Cost R	Accumulated depreciation R	Net book value R
<b>At 31 December 2011</b>			
Furniture, computers and equipment	727 844	(491 628)	236 216
Library books - at nominal value	2	(2)	-
Motor vehicles	85 569	(85 569)	-
Trophies and regalia - at nominal value	2	(2)	-
Total equipment	813 417	(577 201)	236 216
<b>At 31 December 2010</b>			
Furniture, computers and equipment	708 076	(422 052)	286 024
Library books - at nominal value	2	(2)	-
Motor vehicles	85 569	(85 569)	-
Trophies and regalia - at nominal value	2	(2)	-
Total equipment	793 649	(507 625)	286 024

Movement in equipment can be reconciled as follows:

	Net book value 2010 R	Additions R	Disposals R	Depreciation R	Net book value 2011 R
Furniture, computers and equipment	286 024	19 768	-	(69 576)	236 216
Library books - at nominal value	-	-	-	-	-
Motor vehicles	-	-	-	-	-
	286 024	19 768	-	(69 576)	236 216

	Net book value 2009 R	Additions R	Disposals R	Depreciation R	Net book value 2010 R
Furniture, computers and equipment	111 879	264 275	(8 327)	(81 803)	286 024
Library books - at nominal value	-	-	-	-	-
Motor vehicles	-	-	-	-	-
	111 879	264 275	(8 327)	(81 803)	286 024

## 7. TRADE MARKS

Trade Marks comprise:

All Registered Trade Marks	15 000	15 000
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	2011 R	2010 R
<b>8. INVENTORIES</b>		
Inventories comprise:		
Books and manuals for resale	35 375	51 973

Inventories are carried at net realisable value and all inventories are expected to be recovered within 12 months.

<b>9. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	182 596	221 822
Prepaid expenses	12 749	14 774
Sundry debtor	22 385	106 413
Institute of Business Studies	98 003	114 693
Chartered Institute of Business Management	88 969	15 587
The Business Administrators Educational Foundation	-	120
	<u>404 702</u>	<u>473 409</u>

The directors consider that the carrying amount of trade and other receivables approximates its fair value.

<b>10. BANK BALANCES, CASH AND SHORT-TERM DEPOSITS</b>		
Bank deposits and cash	322 765	93 213
Funds on deposit and short-term call	5 127 615	4 619 260
	<u>5 450 380</u>	<u>4 712 473</u>

The carrying amount of these assets approximates fair value.

<b>11. PROFESSIONAL PRACTICE GROUP FUND</b>		
<b>Balance at beginning of the year</b>	916 644	889 342
<b>Total income</b>	439 289	386 740
Income received from members	391 166	338 340
Interest received	48 123	48 400
<b>Total expenses</b>	410 267	359 438
Functions	2 200	-
Technical manual and newsletter expense	117 000	100 000
Administration expenses	291 067	259 438
<b>Balance at end of the year</b>	<u>945 666</u>	<u>916 644</u>

The Professional Practice Group Fund consists of a surplus to be spent for a specific purpose in relation to members.

	2011 R	2010 R
<b>12. POST-RETIREMENT MEDICAL AID LIABILITY</b>		
The Institute has a post-retirement medical aid liability, which has been valued by the Institute.		
Provision utilised for current year contributions	121 477	112 488
Amount recognised in the current year through the income and expenditure statement	(121 477)	(112 488)
Amount to be recognised in future periods	-	-
Principal assumptions at the balance sheet date:		
- Discount rate at 31 December	7.3%	7.3%
- Contribution increases	6.5%	6.5%
- Remaining life expectancy	5.1-10.25 years	6.1-11.96 years
The amount included in the balance sheet arising from the Institute's obligation in respect of defined post-retirement medical benefit was as follows:		
Balance at beginning of the year	900 000	900 000
Amount recognised in the current year through the income statement	121 477	112 488
Amount reversed in the current year through the income statement	-	-
Provision utilised for current year contributions	(121 477)	(112 488)
Fair value of amount recognised	900 000	900 000
<b>13. TRADE AND OTHER PAYABLES</b>		
Accounts payable	272 956	459 877
Fees and subscriptions received in advance	1 760 665	1 194 910
Leave pay	171 483	127 152
Value Added Tax	97 777	159 705
Total accounts payable	2 302 881	1 941 644
The directors consider that the carrying amount of accounts payable approximates its fair value.		
The average credit period on the purchases of goods and services is 30 days. No interest is charged on trade payables. The company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.		
<b>Movement in the leave pay accrual:</b>		
Balance at the beginning of the year	127 152	120 764
Utilisation of provision	(127 152)	(120 764)
Additional provision raised	171 483	127 152
Balance at the end of the year	171 483	127 152

	2011 R	2010 R
<b>14. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH GENERATED BY/ (UTILISED IN) OPERATIONS</b>		
Net profit for the year	77 309	19 220
Adjusted for:		
Investment income	(211 195)	(216 640)
Net income of the Professional Practice Group	29 022	27 302
Depreciation	69 576	81 803
Depreciation – prior year adjustment	0	(2 719)
Loss on scrapping of assets	0	(3 954)
Net Post-retirement medical expense	121 477	112 488
Cash inflow from operations before working capital changes	86 189	17 500
Decrease/(increase) in inventories	16 598	(15 714)
Decrease/(increase) in trade and other receivables	68 707	185 458
Increase in trade and other payables	361 237	602 117
Increase in amounts due to International Institute	135 226	9 580
Cash generated by/ (utilised in) operations	667 957	798 941

#### 15. MEMBERS' LIABILITY

The Institute is incorporated as a Non Profit Company in terms of the Companies Act 71 of 2008. In the event of the company being wound-up at any time, the liability of each person being a member at the time is limited to one South African Rand.

#### 16. COMMITMENTS

Operating leases in respect of premises and equipment:

Payable within one year	824 286	803 747
Payable within 2 to 5 years	3 275 304	2632 247
	4 099 590	3 435 994

#### 17. RETIREMENT BENEFITS

The Institute is a participating employer in a defined contribution umbrella fund. The Fund is a defined contribution fund. It is not actuarially valued as it is an insured fund through an insurance policy and is governed by the Pension Funds Act, 1956. There are no unfunded benefits and all employees are covered by the plan. The current year contributions amounted to R814 912 (2010:R714 851). The number of employees at year end was 16 (2010:16).

#### 18. TAXATION

The Institute is exempt from taxation in terms of Section 10 (1) (d) of the Income Tax Act.



	2011 R	2010 R
<b>19. RELATED PARTY TRANSACTIONS</b>		
The following related transactions were entered into in the current year:		
<b>Secretarial fee income</b>		
- Institute of Business Studies	392 700	249 000
- Chartered Institute of Business Management	1 401 400	1 273 997
- Professional Practice Group	263 145	234 400
<b>Amounts due by related parties</b>		
- Chartered Institute of Business Management	88 969	15 587
- Institute of Business Studies	98 003	114 693
- The Business Administrators Educational Foundation	-	120

The amounts due by related parties have no fixed terms of repayment. There is no interest payable on these loans.

Fees for financial management services were paid to MCG Management Services CC (of which A R Grant is a member) in the amount of R77 865 (2010: R75 200) and to Tichauer Accounting and Management Services CC (of which W Tichauer is a member) in the amount of R2 520 (2010:R3 300). These amounts are included under contractor fees per note 5.

Publishing costs were paid to The Eagle Publishing Company (Pty) Ltd (of which R W Furney is a shareholder) as follows and are all included under Operating and Administration Costs per Note 5 – R256 057 (2010:R251 152).

Fees for payroll administration fees were paid to Commercial and Club Secretaries CC (of which R W Furney is a member in the amount of R20 357 (2010:R18 428).

Examination, moderation and marking fees were paid to a number of Directors or Related Parties during the year under review as follows:

- J Parratt (Moderator Fee) – R8 544 (2010: 0)
  - W Tichauer (Examination and Marking Fee) – R1 450 (2010: 2 340)
  - C Wessels (Examination and Marking Fee) – R35 298 (2010: 26 500)
- Total amount: R45 292 (2010: R28 840)

In 2011, Tichauers Educational Training CC (of which W Tichauer is a member) received a Chief Examiners Fee of R50 000 (2010: R48 000).

These amounts are all included under Examination Fees per Note 5.

Other professional fees were paid as follows during the year and are included under contractor's fees per Note 5:

- J Wolpert (Technical Adviser) – R300 000 (2010:R300 000).
- J Wolpert (CPD Seminars ) – R6 000 ( 2010:R nil)
- C Wessels (CPD Seminars) – R7 000 (2010:R22 000)

## 20. NON-RECURRING EXPENDITURE – ICSA (UK) INSTITUTE

This expenditure relates to (a) fees paid to the company's legal and other external professional advisers in connection with consultations, and (b) overseas travelling to, and meeting administration expenses in, the UK, pertaining to the company's interaction with the ICSA (UK) regarding constitutional arrangements.

## 21. FINANCIAL INSTRUMENTS

### ***Significant accounting policies***

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1.6 to the financial statements.

### ***Foreign currency risk management***

There is limited exposure to foreign currency risk as the only foreign currency transaction entered into is that related to the international capitation fee expense.

### ***Foreign currency exposure***

	Foreign Currency amount		Rand amount	
	2011	2010	2011	2010
International Institute				
– British Pound Sterling	20 355	10 634	244 261	109 035

### ***Interest rate risk management***

The Institute finances its operations through its retained earnings and cash accumulated in the bank.

Due to there being no external borrowings, exposure to interest rate risk is minimal.

### ***Liquidity risk management***

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Institute's short term funding and liquidity management requirements. The Institute manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows.

The Institute also manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowings facilities are maintained.

It is the Institute's policy to deposit short-term cash investments with major financial institutions.

### ***Market risk management***

Due to the nature of the Institute and the services they provide, exposure to market risk is minimal.

## 21. FINANCIAL INSTRUMENTS

### *Credit risk management*

Potential concentrations of credit risk consist principally of trade debtors and balances at banks. Trade debtors consist of subscription members, students and external tuition providers. Due to the nature of the debtors, credit evaluations are not performed. However, revenue and the related debtor are only recognised when no significant uncertainty as to its collectability exists. Appropriate allowance for estimated irrecoverable amounts is made and at the year-end, management did not consider there to be any material credit risk exposure that was not already covered by a doubtful debt provision.

### *Fair value*

All financial instruments are carried at fair value or amounts that approximate fair value. The carrying accounts for investments, cash, cash equivalents as well as receivables and payables approximate fair value due to the short-term nature of these instruments.

	2011 R	2010 R
<b>Financial Assets</b>		
Cash and cash equivalents	5 450 380	4 712 473
Trade receivables	182 596	221 822
<b>Financial Liabilities</b>		
Accounts payable	272 956	459 877

## 22. ADOPTION OF NEW AND REVISED STANDARDS

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

- IFRS 10 Consolidated financial statements (effective 1 January 2013);
- IFRS 11 Joint Arrangements (effective 1 January 2013);
- IFRS 12 Disclosure of Interest in other entities (effective 1 January 2013);
- IFRS 13 Fair value measurement (effective 1 January 2013)
- IAS 12 (revised) Amendments to IAS12 Income taxes (Deferred Tax – recovery of underlying assets) (effective 1 January 2012);
- IAS 1 Amendments to IAS 1 Presentation of FS. (presentation of OCI) (effective 1 July 2012);
- IAS 19 Employee Benefits (effective 1 January 2013);
- IFRS 7 Amendments to IFRS 7 Financial Instruments: Disclosure (transfer of financial assets) (effective 1 July 2011); and
- IFRS 9 Financial Instruments (October 2010) (effective 1 January 2013 – proposed deferral to 1 January 2015)

The directors anticipate that all of the above Standards and Interpretations will have no material impact on the financial statements of the Institute in the period of initial application.







Telephone: 011 551 4000 Fax: 086 698 5095 E-mail: [icsa@icsa.co.za](mailto:icsa@icsa.co.za)

Block C, Riviera Office Park , 6 - 10 Riviera Road, Killarney, 2193, Johannesburg, South Africa  
(PO Box 3146, Houghton, 2041)

Website: [www.icsa.co.za](http://www.icsa.co.za)