THE SOUTHERN AFRICAN INSTITUTE OF
CHARTERED SECRETARIES AND ADMINISTRATORS

(“CSSA” or “the company”)
(Non Profit Company – Registration number:1972/000007/08)

INTEGRATED REPORT– 31 DECEMBER 2013

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Note: Any reference to “the Institute”, “the Company”, “Chartered Secretaries Southern Africa” and “CSSA” refers to The Southern African Institute of Chartered Secretaries and Administrators (Non Profit Company - Registration number: 1972/000007/08).

CORPORATE INFORMATION
31 DECEMBER 2013

Registered office and business address:
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Killerney, Johannesburg, 2193

Postal address:
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E-mail: info@chartsec.co.za
Website: www.chartsec.co.za

Directors:
MB Dialwa, MG Edmunds, RW Furney, SAH Kajee, HF Kocks, L Kok, Z Lachporia, R Likhang, SP Mbhamali, J Neethling, JM Parratt, R Pillay, MA Sello, JE Shepherd, PF Smit, S Smit, KJ Southgate, B Thebenyane, CH Wessels, CE Wilson, J Wolpert

Chief Executive Officer: S Sadie
Company Profile
Chartered Secretaries Southern Africa (CSSA) is the formal professional Institute for the enabling of corporate governance and accounting as well as the expert commentator and thought leader in Southern Africa on governance matters. It is also a recognised qualification for accountants. The career-long programme of study comprises attainment of professional qualifications and requires continuing professional development (CPD), which ensures that members remain on the cutting edge of developments. CSSA represents Botswana, Lesotho, Namibia, South Africa and Swaziland.

What is a Chartered Secretary?
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 accounting
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.

What are the different levels of membership?
Membership of CSSA evidences not only academic qualifications but also practical experience, character, integrity and responsibility. Only on fulfilment of all these criteria may a graduate apply to be admitted as a Member of the Institute and become a Chartered Secretary.

There are two levels of membership - Associates (ACIS) and Fellows (FCIS). On successful completion of the CSSA Board Qualifying Examination, graduates immediately become GradICSA. Once they have gained the necessary practical experience and are deemed to be of appropriate ethical character, they are admitted as Members at Associate-level and become a Chartered Secretary (ACIS). On admission as a Fellow, the senior grade of membership granted on attainment of more extensive experience, a Chartered Secretary may include the prestigious ‘FCIS’ designation after his/her name/title.

Membership therefore offers employers ‘watchdog’ accountability with recourse to the Institute’s disciplinary and disbarment proceedings in the case of misconduct and/or breach by a member of the Institute Code of Professional Ethics and Conduct.

Membership of the Institute ensures remaining at the forefront of global developments and best practice in governance and accounting. Membership, and therefore qualification as a Chartered Secretary, involves a career-long relationship with the Institute via CPD and ongoing technical support packages and tools.

Is the qualification internationally recognised?
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.

CSSA is also a member of Corporate Secretaries International Association (CSIA), which is a global federation of corporate secretaries and governance professionals. Member organisations include the seven divisions above and the United States, India, Kenya, Nigeria, Bangladesh, Sri Lanka, Mongolia, Indonesia and Pakistan. All share a common interest in the promotion of good governance. CSIA represents approximately 70,000 governance professionals worldwide.

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<tr>
<th>President</th>
<th>Raymond Pillay FCIS FCIBM</th>
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<td></td>
<td>Raymond is the finance manager for the Woolworths KZN supply chain.</td>
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<th>Senior Vice President</th>
<th>Zernobia Lachporia FCIS, Nat. Dip. Company Administration</th>
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<td>Zemobia is Assistant Group Secretary, Liberty Holdings Ltd.</td>
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<th>Vice President</th>
<th>Johann Neethling FCIS</th>
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<td>Johann is Company Secretary of Vukile Property Fund Ltd.</td>
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<th>Past President</th>
<th>Carina Wessels FCIS, LLB, LLM</th>
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<td>Carina is Group Company Secretary of Exxaro Resources Ltd.</td>
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Chief Executive Officer’s Report

INTRODUCTION
A number of key objectives were achieved in 2013. CSSA ended the year with a surplus of R2.4 million, placing the Institute on a sound financial footing and working towards long term sustainability. Our events such as the annual report awards, premier corporate governance conference and awards ceremony were all well organised and succeeded in improving the profile of CSSA. CPDs continued to be well supported around the country and, most importantly, student numbers continued to increase.

STRATEGIC PLAN
The board spent a day in March on a strategic planning session, which helped to crystallise the priorities for 2013/14. A key thrust was to have a deeper presence in the public sector.

CPDs
We ran 38 CPDs during 2103, which offered members and Southern African business the opportunity to stay abreast of current regulatory changes and developments in global best practice. Some 1215 people attended the seminars, which covered a wide range of topics such as integrated reporting; procurement, risk and governance; The Companies Act; two years on; trusts and their role in the changing corporate landscape; responsible remuneration, practical guidance for the effective implementation of a corporate ethics management programme; and King, directors and the company secretary.
CPDs were held in Johannesburg, Durban, Cape Town, Gaborone and Mbabane. Speakers included leading presenters such as Andrew Johnston, Pat Mahony, Carmen Westermeyer, Jonathan Hanks, Ntombenhle Shongwe, Prof. Caryn Mailland, Cynthia Schoeman, Di Seccombe, Prof. Humphrey Gower, Tim Anderson, Martie Foster and Johnathan Lewis.

A new CPD ad campaign was launched entitled ‘Missing something?’ and adverts were placed in the Business Day on a regular basis. Trifecta Capital Services continued as the official sponsor of the CPD programme. These events have positioned CSSA as a provider of choice amongst the business sector in fulfilling CPD requirements.

CONFERENCE
The 5th Premier Corporate Governance Conference took place on 11 – 12 September 2013 at the Wanderers Club in Illovo, Johannesburg. The conference made a surplus of R622 425 and was without a doubt the major corporate governance conference of the year. The speakers addressed a wide range of topics covering: the adoption of King III and the perceptions of corporate governance past, present and future for South Africa; corporate governance and social media; why and how is shareholder activism an essential constituent in effective corporate governance; executive remuneration; and what are the main reasons for corporate governance failures.

Speakers included Prof. Michael Katz, Yaniv Kleitman, Gavin Price, Tim Anderson, Sibani Mngomezulu, Lerato Monake, Anton Roodt, Michael Judin, Jess Schulshenek, Mohamed Adam, Oliver Ziehn, and Karin Iretan. A highly successful marketing campaign was developed around the conference.
The number of delegates who attended the conference increased from 134 in 2012 to 240 in 2013. The delegates were most impressed with the organisation of the conference and the calibre of the speakers. Once again CSSA has positioned itself as a leader in corporate governance in Southern Africa.
MARKETING

We punched above our weight with other professional bodies in terms of our marketing strategy. The “I AM” advertising campaign was highly successful. The Facebook group has reached 500 members. The group was active especially during peak times (registration and exam periods) and we kept students updated and answered their queries as soon as we could. The website was updated regularly. It was a joy to drive through the streets of Joburg and see the CSSA street pole posters. We continue to protect a range of our trademarks.

PUBLICATIONS

We continued to ensure that both our members and students receive high quality publications. The quarterly eZine profiled members and students illustrating how the qualification can accelerate one’s career. The monthly technical newsletter covered a range of issues from the Companies Act, corporate governance, accounting, to taxation. In addition we sent out informative mailers, which provided substantial guidance on corporate governance and accounting matters.

ANNUAL REPORT AWARDS

The 46th Annual Report Awards took place at Montecasino on 14 November 2013. The ceremony continues to recognise the importance of good reporting in the face of ever changing reporting criteria with the slogan “the benchmark for integrated reporting”. We were pleased to welcome the incoming Auditor General, Kimi Makwetu as the keynote speaker.

President Raymond Pillay welcomed the 420 guests and for the second year running well known comedian, Nik
Andy Klee entertained the audience

Montecasino proved a successful venue for the function

Raymond Pillay – CSSA President

Guest Speaker,
Kimi Makwetu
Deputy Auditor General

Right: Kimi Makwetu with Overall Winners Nedbank Group Ltd represented by Alfred Visagie

Below: Nik Rabinowitz – Comedian

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seminars and networking opportunities. The administrators of the Appointment Register resigned at the end of the year and a suitable replacement is being sought.

There were a number of disciplinary cases which were handled by the investigations and disciplinary committees. CSSA continued to oversee that members were of requisite character, integrity and accountability to fulfil the demanding role of company secretary and accountant.

A big feather in our cap was that CSSA was registered by SARS as a recognized controlling body for tax practitioners. A number of members benefitted from enquiries they sent to the technical adviser.

STUDENTS
Student numbers continued to grow from strength to strength particularly at the board level. A lovely awards ceremony was held at the Linder Auditorium. There were numerous awards for the prize winners. A textbook on Corporate Financial Management was published in July, adding to the other three board textbooks.

INTERNATIONAL
The Corporate Secretaries International Association (CSIA) continued to grow rapidly and consisted of 18 member countries, covering 70 000 corporate governance

![Shamida Smit congratulates a graduate](image1)

![CSSA President, Raymond Pillay caps a graduate](image2)

![Graduates and Prize Winners in the Linder Auditorium](image3)
professionals. CSSA past president, Carina Wessels, was elected 2014 President of CSIA at its council meeting held in Kuala Lumpur in October 2013.

All CSIA members share a common interest in the promotion of good governance practices and enhancing the profile of the professionals that underpin its practice who serve as corporate secretaries and other governance professionals.

CSIA undertook a number of projects and events in 2013.
• CSIA held its 2nd International Corporate Governance Conference in New Delhi on 5-6 April 2013 with the theme ‘Corporate Governance for Sustaining Prosperity and Posterity’.
• The corporate secretaries’ toolkit training workshop was held from 7-10 May 2013 at the CSSA offices in Johannesburg. The workshop was attended by 21 delegates from 17 countries.
• The CSIA Corporate Governance Roundtable 2013, with the theme “The Pivotal Role of the Corporate Secretary” was held in Kuala Lumpur on 23 October 2013.

On 11 December 2013, a general meeting of members of ICSA took place in London where the new Charter and Byelaws were approved by a large majority. The outcome of the meeting saw a modern and more democratic Institute emerge. Fair representation has been assured as the composition of the Institute’s council, the Institute’s governing body, is now based on the proportion of the membership each division represents.

These changes followed two years of strong negotiation between the ICSA Council and members from divisions. The Southern African division played a key role in vastly improving earlier versions of the Charter and Byelaws and raising critical issues. A number of members from Singapore and Southern Africa voted against the proposed amendments as both Divisions had serious reservations about certain of the amendments.
SUSTAINABILITY AND TRANSFORMATION

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

CSSA 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 sustainability in mind. As an educational body, CSSA plays a vital role in the upliftment of the educationally disadvantaged.

APPRECIATION

Our achievements during the year would not have been possible without the hard work and commitment of our President Raymond Pillay, the Executive Committee, the board of directors and all our employees. I thank everyone for their invaluable input and contribution to the affairs of the Institute. 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 CSSA, I thank them for their loyal support.

Stephen Sadie
(MBA, M. Ed)
Chief Executive Officer
May 2014
Statement on Corporate Governance
31 DECEMBER 2013

Chartered Secretaries Southern Africa, the trading name of The Southern African Institute of Chartered Secretaries and Administrators, a Non Profit Company in terms of the Companies Act 71 of 2008 as amended (“Companies Act”), is fully committed to applying sound corporate governance principles, policies and processes. Certain aspects of the King Report on governance for South Africa 2009 (King III) were applied to the extent considered relevant to the Company’s activities. In line with the ‘apply or explain’ approach set out in the King III Report, the Directors will endeavour to state the extent to which the Company has applied the King Code, having regard to the perceived impact of its operations on its main stakeholders. Relevant details of the application of the King Code are dealt with in narrative form in the commentary which follows hereunder.

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. In terms of the MOI, the Board should comprise between ten and thirty directors. As at 31 December 2013, the Board comprised 21 Directors who meet at least four times a year, but more regularly if required. The Board retains effective management over the affairs of Chartered Secretaries Southern Africa and monitors management. A list of directors is set out on page 1 and the photos of each director can be found on page 16.

The President of CSSA acts as Chairman of the Board. The roles of President and Chief Executive Officer (CEO) are separate in accordance with the recommendations of King III so as to endeavour to ensure that no single person 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 and encourages proper deliberation of all matters requiring the Board’s attention and solicits relevant input from the other Directors. Within defined levels of authority, the Chief Executive has the responsibility to implement all decisions by the Board. Further, he is accountable to the Board for the effective functioning of CSSA within Board-determined policy guidelines.

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 CSSA.

The following changes took place in 2013:

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<th>Name</th>
<th>Notes</th>
<th>Date Resigned/Retired</th>
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<tr>
<td>Lees R D</td>
<td>Resigned</td>
<td>31 December 2012</td>
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<tr>
<td>Roberts J V</td>
<td>Retired</td>
<td>15 May 2013</td>
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BOARD PROCESSES

ANNUAL EVALUATION

The Directors, Board Committees and Chief Executive Officer are assessed on an annual basis via the completion of self-evaluation questionnaires/exco review as applicable.

ANNUAL GENERAL MEETINGS

Board members are encouraged to attend all general meetings in order to facilitate meaningful interaction with members.

The Annual General Meeting has the purpose of:
- receiving and considering the annual financial statements for the past year and the report of the Board of Directors on the business of CSSA 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.

The results of the elections at the AGM are communicated promptly 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 and annual integrated report, Charter and Byelaws, Memorandum of Incorporation, Board minutes and strategic plan.

**Remuneration of Directors and Members of Committees**

Directors of the Board and Board Committee members receive no remuneration for their services as directors.

**Conflicts of Interest**

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

**Compliance**

The Chief Executive, under the guidance of the Executive Committee is responsible for ensuring compliance with relevant legislation and regulations. The CEO is further responsible for continually updating the Board on legislative and/or regulatory developments. In light of the fact that most Directors are also employed in the corporate governance/company secretarial/accounting officer/tax consultant fields, they are regarded as being more aware of relevant regulatory imperatives and requirements than a general director and, as such regularly provide guidance to CSSA.

**Board Committees**

In order to effectively discharge its duties and responsibilities, the Board has a number of committees that attend to specific aspects of CSSA’s affairs. The President is an ex-officio member of all Committees. Certain committees also co-opt specialists, who are not members of CSSA, to assist in their deliberations. These specialists may also vote. 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 CSSA, are suitably served by inviting the auditors to attend these meetings.

**Executive Committee**

The Executive Committee comprises the President, two Vice-Presidents and the immediate Past-President. The Committee attends to the management of CSSA in-between board meetings. The Committee considers matters referred to it by the Board or which are yet to be referred to the Board.

**Governance Committee**

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 Governance Committee report is set out on page 18 of the integrated report.

**Nominations Committee**

A Nominations Committee has the responsibility of considering nominations received from members and short listing them for the Board. The nominations committee also recommends chairmen for various committees.

**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 practising members of CSSA 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. The PPG Committee is elected by PPG members and looks after the interests of PPG members.
TECHNICAL COMMITTEE
This Committee considers matters arising from changes to legislation, the listings requirements of the JSE Limited and corporate governance in general and how these changes or proposed changes can have an impact on corporate governance, accounting practices and taxation.

EDUCATION AND EXAMINATIONS COMMITTEE
All educational and examination matters, fall under the brief of this Committee. The Committee deals with the standard of the question papers, the marking process and any policy matters relating to students. The Committee also deals with any queries from the international Professional Standards 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 members of CSSA. 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. Investigations Committee
This body is required to investigate all matters relating to alleged misdemeanours of members. Any member of the public can lodge a written complaint against any member of CSSA.

2. Disciplinary Committee
This body has the responsibility to review the findings of the Investigations Committee. This body will evaluate the evidence provided and, if necessary, decide upon an appropriate sanction.

3. Appeals Committee
This body reviews any appeals lodged.

INTERNAL CONTROL AND RISK MANAGEMENT

INTERNAL CONTROL
CSSA maintains systems of internal control over its operations and functions such as membership records, examination results and the award of certificates, financial reporting, as well as the safeguarding of assets against unauthorised use or disposition. These systems are designed to provide reasonable assurance to CSSA’s management and the Board regarding internal control, the preparation of reliable published financial statements and the safeguarding of CSSA’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 an internal control system changes 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 the Governance Committee’s responsibilities an assessment of various internal control functions across the CSSA was carried out during the year and found to be acceptable. The governance committee accordingly expressed a view on the adequacy of the system of internal controls.

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 providing such pre-approval in line with anti-conflict guidelines designed to ensure that 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 and the size and nature of CSSA, a permanent internal audit function has not been established.

An external financial adviser has been appointed to examine and evaluate accounting activities and monitor the effectiveness of internal control systems. The Governance Committee has the responsibility of monitoring risk, the accuracy of information within CSSA, compliance with standard operating procedures, regulatory compliance by CSSA and its employees and the economic and efficient use of resources.

**RISK MANAGEMENT**

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

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

**Tuition Providers**

CSSA does not have sufficient tuition providers. From an analysis of results, there is a definite correlation between the pass rate and students attending tuition providers. Where the qualification is offered at tuition providers, there is a continuous throughput of students. This is coupled with the problems in the public education system, which is failing to produce candidates who have strong literacy and numeracy skills causing a high failure rate in our papers.

**Information Management System**

The service provider that managed the information management system for the past seven years unexpectedly resigned. This system was built up gradually over the past seven years. Unfortunately open source software was used which meant that the system could not be taken over and had to be built up from scratch. This meant that students could not register online and caused delays in registration. After a search for a suitable provider, which had experience in the education sector, V-Soft Technologies was appointed. V-Soft Technologies does extensive work for the Independent Examinations Board. The new system is being rolled out in phases.

**Fasset and QCTO**

There has been a change in the regulatory environment with regard to the registration of the qualification. Previously this fell under Fasset and the system operated fairly smoothly. The qualifications for professional bodies were moved to the Quality Council for Trades and Occupations (QCTO). However this body has been slow to get its systems operating and is unresponsive to communications. The reregistration of qualifications for all professional bodies is due in July 2015. However the QCTO does not seem to have the capacity to get the high number of qualifications reregistered in time.

**STAKEHOLDER COMMUNICATIONS**

CSSA is committed to timely, consistent, open and transparent communication with all relevant stakeholders. Members are timeously informed about and encouraged to attend general meetings. Stakeholder queries are directed on an ongoing basis to the Chief Executive Officer who also communicates with the media to ensure accurate reporting and to raise the profile of the Institute.

The Institute further communicates with its stakeholders through:

- The e-Zine – a quarterly electronic newsletter;
- Boardroom magazine – a quarterly magazine covering industry issues;
- The website;
- Regular CPD seminars;
- Regular mailers to members on international matters, corporate governance and legislation; and
- An annual Premier Corporate Governance conference.
CODE OF ETHICS
The very nature of CSSA’s operating model requires surveillance of members’ compliance with professional ethics. The Code aims to facilitate the enforcement of ethical standards through disciplinary procedures. Adherence to the Code is a condition of membership. Overall, CSSA requires its members to perform their 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 CSSA. 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. Members are required to do 20 hours CPD of which seven may be non-verifiable. Practising members are required to retain professional independence, ensure confidentiality when dealing with sensitive information, deliver professional work and to use the title ‘Chartered Secretary’ correctly.

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

SUSTAINABILITY
The inherent vision and mission on which the business model of CSSA is predicated, is to maximise the population of its student and member groupings, its two main stakeholders. In addition CSSA conducts robust advocacy amongst the relevant regulatory and professional bodies to endeavour to enhance the reputation and employment credentials of its membership qualification.

CSSA’s qualification has a unique role in the upliftment of the educationally disadvantaged. CSSA is linked to its associate organisations, the Institute of Business Studies (IBS) and the Chartered Institute of Business Management (CIBM).

Other than the above, CSSA’s activities have limited social and environmental impact. Despite having a public interest score which is higher than the threshold required to form a Social and Ethics Committee, CSSA will be applying to the Companies Tribunal for an exemption on the basis that its activities do not warrant the formation thereof.

The future vision of CSSA remains that of being a world class professional institute which, via its influence with Government and regulators, as well as the work of our members, continues to endeavour to shape the corporate governance, company secretarial practice, taxation and accounting agenda so as to enable the implementation of best practice, in alignment with responsible corporate citizenship, in its field of operations.

The financial results of the focused range of activities undertaken by CSSA in meeting its objectives manifest themselves in the Annual Financial Statements and corporate governance narrative, which together form this integrated report.

Employment Equity
CSSA has the commitment to create a workplace in which able 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 43% and 33% of the Board, respectively.
- Black and female representation make up 33% and 50% of management respectively.
- Black and female representation make up 59% and 77% of the staff respectively.

Skills Development and Training
CSSA prioritises ongoing training to facilitate continual development of staff attending relevant CPD seminars, conferences and workshops.

Health and Safety
CSSA is committed to a safe and healthy working environment and ensures its strict compliance with relevant legislation. Matters of employee health and safety are addressed as part of the responsibilities of management.
### 2013 MEETING ATTENDANCE SCHEDULE

<table>
<thead>
<tr>
<th>Board of Directors</th>
<th>Committee for Southern Africa</th>
<th>Nominations Committee</th>
<th>Governance Committee</th>
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<tr>
<td>Dialwa MB</td>
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<tr>
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<td>Wessels CH</td>
<td>Kajee SAH</td>
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</tr>
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<td>Mbaleni S</td>
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<tr>
<td>Malan D</td>
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</table>
Governance Committee Report

MEMBERSHIP
J Wolpert (Chair), RW Furney, AR Grant, SAH Kajee, K Southgate (appointed 7 November 2013)

STRUCTURE
The committee was appointed by the Board to hold office for the year under review. The Committee meets three times per annum. Attendance at Committee meetings is set out on page 17. The external auditor, the CEO, Finance Manager and Financial Adviser attend meetings by invitation.

ROLE AND ACTIVITIES
- Reviewed and recommended for board approval, the Annual Financial Statements of CSSA for the year ended 31 December 2013
- Monitored and reviewed the effectiveness of internal control systems, including IT systems and internal financial reporting
- Reviewed and evaluated the effectiveness of financial risk management and compliance functions
- Assessed the independence of the external auditor
- Reviewed and recommended for Board approval, the scope and fees pertaining to the external audit process
- Reviewed the effectiveness of the external audit process following the end of the annual audit cycle
- Reviewed and recommended for Board approval, the Integrated Report for the year ended 31 December 2013
- Reviewed and recommended for Board approval, the annual budget for the ensuing year.

NOTE:
1) The external auditors are appointed by the Board of Directors at the Annual General Meeting. The fees of the external auditor are determined by the Board on an annual basis.
2) The Annual Financial Statements of the Company are required to be audited pursuant to Regulation 28(2) of the Companies Act.

Joel Wolpert
Governance Committee Chairman
Johannesburg
19 March 2014

Salient financial statistics – 6 year review

<table>
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<td>4 712 473</td>
<td>5 450 380</td>
<td>6 818 445</td>
<td>8 789 138</td>
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</table>
Directors’ Responsibility in relation to the Annual Financial Statements

The directors of CSSA 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 CSSA. 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 CSSA’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 21 to 36 were approved by the Board of Directors on 27 March 2014 and signed on its behalf by:

R D Pillay
President

Z Lachporia
Senior Vice President

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).
Independent Auditor's Report

To the Members of The Southern African Institute of Chartered Secretaries and Administrators

We have audited the financial statements of The Southern African Institute of Chartered Secretaries and Administrators, as set out on 21 to 36, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

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 requirements of the Companies Act 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.

Auditors’ Responsibility

For unqualified audit opinion / qualified audit opinion / adverse audit opinion

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 auditors’ 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Southern African Institute of Chartered Secretaries and Administrators as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act 71 of 2008.

Valentine Sargeant
Chartered Accountants (S.A.)
Registered Accountants and Auditors

27 March 2014
REPORT OF THE DIRECTORS 31 DECEMBER 2013

INTRODUCTION
CSSA operates as a Non Profit Company in terms of the Companies Act. Being a professional examining body, it continues to provide an examination that satisfies the demands for competence on the part of trained and qualified company secretaries and accountants in the private and public sectors. CSSA serves qualified professionals and provides a wide range of services to its members such as technical information and seminars. A further purpose is ensuring the name and reputation of CSSA, 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 CSSA at 31 December 2013, 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 2014, is satisfied that CSSA has adequate resources to continue to operate for the foreseeable future. Accordingly, CSSA 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.
CSSA 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 CSSA and its associated Institutes apply the principles of King III, which are relevant to the affairs of CSSA.

ASSOCIATED INSTITUTES
CSSA 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, 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
Chartered Secretaries Southern Africa
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 2013

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<tr>
<td><strong>INCOME</strong></td>
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<td>Fees - students</td>
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<tr>
<td>Depreciation</td>
<td>121 555</td>
<td>80 273</td>
</tr>
<tr>
<td>Audit fees</td>
<td>131 769</td>
<td>119 790</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td></td>
<td><strong>11 834 146</strong></td>
</tr>
<tr>
<td><strong>OPERATING SURPLUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>2 606 113</strong></td>
</tr>
<tr>
<td><strong>OTHER COMPREHENSIVE INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Recurring expenditure - Legal Fees and overseas travelling</td>
<td>20</td>
<td>(25 534)</td>
</tr>
<tr>
<td>Post-retirement medical expense</td>
<td>12</td>
<td>(110 940)</td>
</tr>
<tr>
<td><strong>NET SURPLUS FOR THE YEAR</strong></td>
<td></td>
<td><strong>2 469 639</strong></td>
</tr>
</tbody>
</table>
# STATEMENT OF FINANCIAL POSITION

at 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

## ASSETS

### Non-current assets
- **Equipment**: 6
  - 2013: 461 635
  - 2012: 363 292
- **Trade Marks**: 7
  - 2013: 15 000
  - 2012: 15 000

### Current assets
- **Inventories**: 8
  - 2013: 87 315
  - 2012: 113 733
- **Trade and other receivables**: 9
  - 2013: 780 357
  - 2012: 805 294
- **Bank balances, cash and short term deposits**: 10
  - 2013: 8 789 138
  - 2012: 6 818 445

### TOTAL ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R 10 133 445</td>
<td>R 8 115 764</td>
</tr>
</tbody>
</table>

## EQUITY AND LIABILITIES

### Reserves
- **Accumulated profit**: 5 823 083
- **Professional Practice Group Fund**: 11
  - 2013: 1 026 674
  - 2012: 1 001 997

### Non-current liability
- **Post-retirement medical aid liability**: 12
  - 2013: 900 000
  - 2012: 900 000

### Current liabilities
- **Trade and other payables**: 13
  - 2013: 2 058 338
  - 2012: 2 517 685
- **Amounts due to International Institute**: 13
  - 2013: 325 350
  - 2012: 342 638

### TOTAL EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R 10 133 445</td>
<td>R 8 115 764</td>
</tr>
<tr>
<td></td>
<td>Accumulated profit</td>
<td>Professional Practice Group Fund</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2012</strong></td>
<td>1 748 865</td>
<td>945 666</td>
</tr>
<tr>
<td>Net surplus for the year</td>
<td>1 604 579</td>
<td>56 331</td>
</tr>
<tr>
<td><strong>Balance at 31 DECEMBER 2013</strong></td>
<td>3 353 444</td>
<td>1 001 997</td>
</tr>
<tr>
<td>Net surplus for the year</td>
<td>2 469 639</td>
<td>24 677</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2013</strong></td>
<td>5 823 083</td>
<td>1 026 674</td>
</tr>
</tbody>
</table>
# STATEMENT OF CASH FLOWS

for the year ended 31 DECEMBER 2013

<table>
<thead>
<tr>
<th>Notes</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM OPERATING ACTIVITIES

- Receipts from customers: 14 033 638
- Payments made to suppliers and employees: (12 138 730)
- Cash generated by/ (utilised in) operations: 1 894 908
- Investment income: 406 621
- Post-retirement medical aid contributions: (110 940)
- **Net cash from operating activities**: 2 190 589

## CASH FLOWS FROM INVESTING ACTIVITIES

Investment to maintain operations:

- Acquisition of furniture, computers and equipment: (219 897)
- **Net cash from/ (used in) investing activities**: (219 897)

## NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENCES

- **Net increase/ (decrease)** in cash and cash equivalents: 1 970 693

Cash and cash equivalents at the beginning of the year: 6 818 445

## CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

- **Net increase/ (decrease)** in cash and cash equivalents: 1 970 693
- Cash and cash equivalents at the end of the year: 8 789 138
NOTES TO THE ANNUAL FINANCIAL STATEMENTS
31 DECEMBER 2013

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 and registration fees are recognised on the date of payment.

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.

Impairment of financial assets
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.
2. **DEPRECIATION**

   (Increase) in depreciation

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R</td>
<td>R</td>
</tr>
<tr>
<td>(Increase)</td>
<td>(41 282)</td>
<td>(10 697)</td>
</tr>
</tbody>
</table>

3. **INTEREST RECEIVED**

   Interest received - funds on deposit and short-term call
   Total interest received

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest received</td>
<td>406 621</td>
<td>262 548</td>
</tr>
<tr>
<td>Total</td>
<td>406 621</td>
<td>262 548</td>
</tr>
</tbody>
</table>

4. **OTHER INCOME**

   Prior year net income recoveries
   Postage income
   Unallocated deposits
   Conference
   Profit on sale of assets
   Sale of technical support material
   Seminars
   Secretarial fees - CIBM
   - IBS
   Administration fees - PPG
   Royalties
   Total other income

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior year net income</td>
<td>469 716</td>
<td>179 166</td>
</tr>
<tr>
<td>recoveries</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage income</td>
<td>30 281</td>
<td>5 206</td>
</tr>
<tr>
<td>Unallocated deposits</td>
<td>(3 660)</td>
<td>266</td>
</tr>
<tr>
<td>Conference</td>
<td>451 677</td>
<td>87 394</td>
</tr>
<tr>
<td>Profit on sale of assets</td>
<td>–</td>
<td>10 838</td>
</tr>
<tr>
<td>Sale of technical support</td>
<td>351 334</td>
<td>300 762</td>
</tr>
<tr>
<td>material</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seminars</td>
<td>230 663</td>
<td>311 855</td>
</tr>
<tr>
<td>Secretarial fees - CIBM</td>
<td>958 259</td>
<td>1 374 537</td>
</tr>
<tr>
<td>- IBS</td>
<td>719 300</td>
<td>710 431</td>
</tr>
<tr>
<td>Administration fees - PPG</td>
<td>290 486</td>
<td>270 321</td>
</tr>
<tr>
<td>Royalties</td>
<td>3 662</td>
<td>4 961</td>
</tr>
<tr>
<td>Total other income</td>
<td>3 501 717</td>
<td>3 255 737</td>
</tr>
</tbody>
</table>

5. **OPERATING AND ADMINISTRATION COSTS**

   Administration expenses
   Award ceremonies
   Loyalty program
   Boardroom magazine
   Branch expenses
   Computer expenses
   Contractors fees – managerial
   Examination expenses
   Hire of office equipment
   Insurance
   Marketing expenses
   Motor vehicle expenses
   Postage and telephones
   Printing and stationery
   Rental and electricity
   Salaries and wages
   Technical support
   Travel and meetings – domestic
   Travel and meetings – international
   Total operating and administration costs

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration expenses</td>
<td>270 760</td>
<td>219 715</td>
</tr>
<tr>
<td>Award ceremonies</td>
<td>184 533</td>
<td>173 055</td>
</tr>
<tr>
<td>Loyalty program</td>
<td>–</td>
<td>68 253</td>
</tr>
<tr>
<td>Boardroom magazine</td>
<td>140 760</td>
<td>130 427</td>
</tr>
<tr>
<td>Branch expenses</td>
<td>18 935</td>
<td>30 340</td>
</tr>
<tr>
<td>Computer expenses</td>
<td>92 772</td>
<td>131 658</td>
</tr>
<tr>
<td>Contractors fees – managerial</td>
<td>131 585</td>
<td>116 437</td>
</tr>
<tr>
<td>Examination expenses</td>
<td>968 653</td>
<td>897 734</td>
</tr>
<tr>
<td>Hire of office equipment</td>
<td>138 792</td>
<td>134 245</td>
</tr>
<tr>
<td>Insurance</td>
<td>58 631</td>
<td>39 254</td>
</tr>
<tr>
<td>Marketing expenses</td>
<td>453 924</td>
<td>246 745</td>
</tr>
<tr>
<td>Motor vehicle expenses</td>
<td>14 033</td>
<td>29 242</td>
</tr>
<tr>
<td>Postage and telephones</td>
<td>542 052</td>
<td>537 539</td>
</tr>
<tr>
<td>Printing and stationery</td>
<td>157 423</td>
<td>159 139</td>
</tr>
<tr>
<td>Rental and electricity</td>
<td>1 187 001</td>
<td>1 182 089</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>6 035 124</td>
<td>5 410 721</td>
</tr>
<tr>
<td>Technical support</td>
<td>357 850</td>
<td>355 000</td>
</tr>
<tr>
<td>Travel and meetings – domestic</td>
<td>196 601</td>
<td>177 802</td>
</tr>
<tr>
<td>Travel and meetings – international</td>
<td>294 174</td>
<td>322 059</td>
</tr>
<tr>
<td>Total operating and administration costs</td>
<td>11 243 603</td>
<td>10 361 454</td>
</tr>
</tbody>
</table>
6. **EQUIPMENT**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>Accumulated depreciation</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>R</td>
<td>Disposals</td>
<td>Depreciation</td>
</tr>
<tr>
<td>Furniture, computers and equipment</td>
<td>804 464</td>
<td>(446 692)</td>
<td>357 772</td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>144 925</td>
<td>(41 062)</td>
<td>103 863</td>
<td></td>
</tr>
<tr>
<td>Total equipment</td>
<td>949 389</td>
<td>(487 754)</td>
<td>461 635</td>
<td></td>
</tr>
</tbody>
</table>

At 31 DECEMBER 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>Accumulated depreciation</th>
<th>2011</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>R</td>
<td>Disposals</td>
<td>Depreciation</td>
</tr>
<tr>
<td>Furniture, computers and equipment</td>
<td>584 567</td>
<td>(354 123)</td>
<td>230 444</td>
<td></td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>144 925</td>
<td>(12 077)</td>
<td>132 848</td>
<td></td>
</tr>
<tr>
<td>Total equipment</td>
<td>729 492</td>
<td>(366 200)</td>
<td>363 292</td>
<td></td>
</tr>
</tbody>
</table>

Movement in equipment can be reconciled as follows:

<table>
<thead>
<tr>
<th></th>
<th>Net book value</th>
<th>Additions</th>
<th>Disposals</th>
<th>Depreciation</th>
<th>Net book value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture, computers and equipment</td>
<td>230 444</td>
<td>219 897</td>
<td>-</td>
<td>(92570)</td>
<td>357 772</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>132 848</td>
<td>-</td>
<td>-</td>
<td>(28 985)</td>
<td>103 863</td>
</tr>
<tr>
<td></td>
<td>363 292</td>
<td>219 897</td>
<td>-</td>
<td>(121 555)</td>
<td>461 635</td>
</tr>
</tbody>
</table>

7. **TRADE MARKS**

Trade Marks comprise:

All Registered Trade Marks 15 000

8. **INVENTORIES**

Inventories comprise:

Books and manuals for resale 87 315

Inventories are carried at net realisable value and all inventories are expected to be recovered within 12 months.
9. TRADE AND OTHER RECEIVABLES

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>91 972</td>
<td>217 861</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>10 137</td>
<td>9 988</td>
</tr>
<tr>
<td>Sundry debtor</td>
<td>290 640</td>
<td>199 443</td>
</tr>
<tr>
<td>Institute of Business Studies</td>
<td>170 633</td>
<td>230 224</td>
</tr>
<tr>
<td>Chartered Institute of Business Management</td>
<td>216 975</td>
<td>147 778</td>
</tr>
<tr>
<td></td>
<td>780 357</td>
<td>805 294</td>
</tr>
</tbody>
</table>

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

10. BANK BALANCES, CASH AND SHORT-TERM DEPOSITS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank deposits and cash</td>
<td>474 129</td>
<td>396 016</td>
</tr>
<tr>
<td>Funds on deposit and short-term call</td>
<td>8 315 009</td>
<td>6 422 429</td>
</tr>
<tr>
<td></td>
<td>8 789 138</td>
<td>6 818 445</td>
</tr>
</tbody>
</table>

The carrying amount of these assets approximates fair value.

11. PROFESSIONAL PRACTICE GROUP FUND

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>1 001 997</td>
<td>945 666</td>
</tr>
<tr>
<td>Total income</td>
<td>458 784</td>
<td>449 627</td>
</tr>
<tr>
<td>Income received from members</td>
<td>423 714</td>
<td>400 802</td>
</tr>
<tr>
<td>Interest received</td>
<td>35 070</td>
<td>48 825</td>
</tr>
<tr>
<td>Total expenses</td>
<td>434 107</td>
<td>393 296</td>
</tr>
<tr>
<td>Technical manual and newsletter expense</td>
<td>121 000</td>
<td>110 000</td>
</tr>
<tr>
<td>Administration expenses</td>
<td>313 107</td>
<td>283 296</td>
</tr>
<tr>
<td>Balance at end of the year</td>
<td>1 026 674</td>
<td>1 001 997</td>
</tr>
</tbody>
</table>

12. POST- RETIREMENT MEDICAL AID LIABILITY

The Institute has a post-retirement medical aid liability, which has been valued by the Institute.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision utilised for current year contributions</td>
<td>110 940</td>
<td>107 460</td>
</tr>
<tr>
<td>Amount recognised in the current year through the income and expenditure statement</td>
<td>(110 940)</td>
<td>(107 460)</td>
</tr>
</tbody>
</table>

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: 4.1-8.25 years 4.34-8.25 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:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at beginning of the year</td>
<td>900 000</td>
<td>900 000</td>
</tr>
<tr>
<td>Amount recognised in the current year through the income statement</td>
<td>110 940</td>
<td>107 460</td>
</tr>
<tr>
<td>Amount reversed in the current year through the income statement</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision utilised for current year contributions</td>
<td>(110 940)</td>
<td>(107 460)</td>
</tr>
<tr>
<td>Fair value of amount recognised</td>
<td>900 000</td>
<td>900 000</td>
</tr>
</tbody>
</table>
13. TRADE AND OTHER PAYABLES

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>393 168</td>
<td>403 799</td>
</tr>
<tr>
<td>Fees and subscriptions received in advance</td>
<td>1 405 964</td>
<td>1 870 787</td>
</tr>
<tr>
<td>Leave pay</td>
<td>136 640</td>
<td>140 295</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>122 566</td>
<td>102 804</td>
</tr>
<tr>
<td><strong>Total accounts payable</strong></td>
<td>2 058 338</td>
<td>2 517 685</td>
</tr>
</tbody>
</table>

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.

Movement in the leave pay accrual:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of the year</td>
<td>140 295</td>
<td>171 483</td>
</tr>
<tr>
<td>Utilisation of provision</td>
<td>(140 295)</td>
<td>(171 483)</td>
</tr>
<tr>
<td>Additional provision raised</td>
<td>136 640</td>
<td>140 295</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>136 640</td>
<td>140 295</td>
</tr>
</tbody>
</table>

14. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH GENERATED BY/ (UTILISED IN) OPERATIONS

<table>
<thead>
<tr>
<th>Description</th>
<th>Adjusted for</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit for the year</td>
<td></td>
<td>2 469 639</td>
<td>1 604 579</td>
</tr>
<tr>
<td>Investment income</td>
<td>(406 621)</td>
<td>(262 548)</td>
<td></td>
</tr>
<tr>
<td>Net income of the Professional Practice Group</td>
<td>24 677</td>
<td>56 331</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>121 555</td>
<td>80 273</td>
<td></td>
</tr>
<tr>
<td>Depreciation – prior year adjustment</td>
<td>–</td>
<td>3 162</td>
<td></td>
</tr>
<tr>
<td>Net Post-retirement medical expense</td>
<td>110 940</td>
<td>107 460</td>
<td></td>
</tr>
<tr>
<td>Cash inflow from operations before working capital changes</td>
<td>2 320 190</td>
<td>1 589 257</td>
<td></td>
</tr>
<tr>
<td>Decrease/(increase) in inventories</td>
<td>26 418</td>
<td>(78 358)</td>
<td></td>
</tr>
<tr>
<td>Decrease/(increase) in trade and other receivables</td>
<td>24 936</td>
<td>(400 592)</td>
<td></td>
</tr>
<tr>
<td>Increase in trade and other payables</td>
<td>(459 348)</td>
<td>214 804</td>
<td></td>
</tr>
<tr>
<td>Increase in amounts due to International Institute</td>
<td>(17 288)</td>
<td>98 377</td>
<td></td>
</tr>
<tr>
<td>Cash generated by/(utilised in) operations</td>
<td></td>
<td>1 894 908</td>
<td>1 423 488</td>
</tr>
</tbody>
</table>

15. MEMBERS’ LIABILITY

The Institute is incorporated as a Non Profit Company in terms of Companies Act. 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable within one year</td>
<td>945 160</td>
<td>938 369</td>
</tr>
<tr>
<td>Payable within 2 to 5 years</td>
<td>1 764 072</td>
<td>1 656 636</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2 709 232</td>
<td>2 595 005</td>
</tr>
</tbody>
</table>
17. RETIREMENT BENEFITS
The Institute is a participating employer in a defined contribution umbrella fund. It is not actuarially valued as it is an insured fund through an insurance policy and 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 R971 263 (2012: R872 509). The number of employees at year end was 17 (2012: 17).

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

19. RELATED PARTY TRANSACTIONS
The following related transactions were entered into in the current year:

<table>
<thead>
<tr>
<th>Secretarial fee income</th>
<th>2013 R</th>
<th>2012 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Institute of Business Studies</td>
<td>719 300</td>
<td>710 431</td>
</tr>
<tr>
<td>- Chartered Institute of Business Management</td>
<td>958 259</td>
<td>1 374 537</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amounts due by related parties</th>
<th>2013 R</th>
<th>2012 R</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Chartered Institute of Business Management</td>
<td>216 975</td>
<td>147 778</td>
</tr>
<tr>
<td>- Institute of Business Studies</td>
<td>170 633</td>
<td>230 224</td>
</tr>
</tbody>
</table>

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

Publishing costs were paid to Eagle Publishing (Pty) Ltd (of which R W Furney is a shareholder) as follows and are all included under Operating and Administration Costs per Note 5 – R 177 348 (2012:R174 371).

Fees for Annual Report printing were paid to Commercial and Club Secretaries CC (of which R W Furney’s wife is a member) in the amount of R106 576 (2012:R89 235).

Fees for payroll administration fees were paid to Commercial and Club Secretaries CC (of which R W Furney’s wife is a member) in the amount of R19 165 (2012:R16 555).

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) – R7 745 (2012:R11 893)
- H F Kocks (Examination Fees) – R23 240 (2012:R20 604)
- P F Smit (Examination Fees) – R28 160 (2012:0)
- M A Sello (Invigilator Fees) – R6 774 (2012:R6 600)

Other professional fees were paid as follows during the year and are included under contractor’s fees per Note 5:
- J Wolpert (Technical Adviser) – R349 000 (2012:R330 000)
- J Wolpert (CPD Seminars) – R6 000 (2012:R9 000)
- C H Wessels (CPD Seminars) – R0 (2012:R7 864)
- H F Kocks (CPD Seminars) – R3 000 (2012:R6 000)
- J Parratt (CPD Seminars) – R3 000 (2012:R3 000)
20. 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

<table>
<thead>
<tr>
<th>Currency</th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Institute – British Pound Sterling</td>
<td>19 127</td>
<td>24 598</td>
<td>325 350</td>
<td>342 638</td>
</tr>
</tbody>
</table>

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, 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 provided, exposure to market risk is minimal.

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.
20. **FINANCIAL INSTRUMENTS CONTINUED**

**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.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8 789 138</td>
<td>6 818 445</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>91 972</td>
<td>217 861</td>
</tr>
<tr>
<td>Financial Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>393 168</td>
<td>403 799</td>
</tr>
</tbody>
</table>

21. **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)

**Standards and Interpretations in issue not yet adopted**

- 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.