The Insurance Institute of South Africa
(Registration number 1993/002172/08)
Annual financial statements
for the year ended 31 December 2012

Colin Smith & Co
Chartered Accountants (S.A.)
Registered Auditor
Issued 12 April 2013

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To provide and maintain a central organisation for the promotion of efficiency, progress, welfare, knowledge and general development among persons engaged or employed in the insurance and related sectors, whether members of the institute or not.
Directors	Junior Ngulube David James Harpur Nash Omar Ronald Melvyn Gordon Bryan Cyril Benfield Barry Scott George Walter Bishop Gerrit Johann Sandrock
Registered office	1st Floor Victoria Gate South Hyde Park Lane Office Park Cnr Jan Smuts and Hyde Lane 2024
Business address	1st Floor Victoria Gate South Hyde Park Lane Office Park Cnr Jan Smuts and Hyde Lane 2024
Postal address	P O Box 413264 Craighall 2024
Bankers	FirstRand Bank Limited
Auditors	Colin Smith & Co Chartered Accountants (S.A.) Registered Auditor
Secretary	Mr Dave Freese
Company registration number	1993/002172/08

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The reports and statements set out below comprise the annual financial statements presented to the shareholders:

The following supplementary information does not form part of the annual financial statements and is unaudited:

Directors' Responsibilities and Approval

The directors are required by the Companies Act 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2013 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 6 to 18, which have been prepared on the going concern basis, were approved by the board of directors on 12 April 2013 and were signed on its behalf by:

Director

Director

Independent Auditors' Report

To the members of The Insurance Institute of South Africa (Association Incorprated Under Section 21)

Report on the Financial Statements

We have audited the annual financial statements of The Insurance Institute of South Africa, which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 6 to 16.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, 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 annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual 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 annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual 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 annual 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 annual 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 annual financial statements present fairly, in all material respects, the financial position of The Insurance Institute of South Africa as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act 71 of 2008.

Emphasis of Matter

In common with similar organisations, it is not feasible for the association to institute accounting controls over the collection of subscriptions, prior to the initial entry of the collections in the accounting records. Accordingly it was impractical for us to extend our examination beyond the receipts actually recorded.

Independent Auditors' Report

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on pages 17 to 18 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Accounting and secretarial duties

Without qualifying our opinion, we draw your attention to the fact that with the written consent of all shareholders, we have performed certain accounting and secretarial duties.

Colin Smith + Co

Colin Smith & Co
Chartered Accountants (S.A.)
Registered Auditor

12 April 2013

Gleneagles, Fairway Office Park
52 Grosvenor Road
Bryanston
2021

Directors' Report

The directors submit their report for the year ended 31 December 2012.

1. Review of activities

Main business and operations

The company is engaged in to provide and maintain a central organisation for the promotion of efficiency, progress, welfare, knowledge and general development among persons engaged or employed in the insurance and related sectors, whether members of the institute or not. and operates principally in South Africa.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Registered office	1st Floor Victoria Gate South Hyde Park Lane Office Park Cnr Jan Smuts and Hyde Lane 2024
Business address	1st Floor Victoria Gate South Hyde Park Lane Office Park Cnr Jan Smuts and Hyde Lane 2024
Postal address	P O Box 413264 Craighall 2024

2. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year.

3. Directors

The directors of the company during the year and to the date of this report are as follows:

Name
Junior Ngulube
David James Harpur
Nash Omar
Ronald Melvyn Gordon
Bryan Cyril Benfield
Barry Scott
George Walter Bishop
Gerrit Johann Sandrock

4. Secretary

The secretary of the company is Mr Dave Freese.

5. Auditors

Colin Smith & Co will continue in office in accordance with section 90 of the Companies Act 71 of 2008.

Statement of Financial Position

Figures in Rand	Notes	2012	2011
Assets			
Non-Current Assets			
Property, plant and equipment	2	157 953	204 451
Intangible assets	3	1	1
		157 954	**204 452**
Current Assets			
Trade and other receivables	4	11 650	-
Cash and cash equivalents	5	7 342 563	4 250 438
		7 354 213	**4 250 438**
Total Assets		**7 512 167**	**4 454 890**
Equity and Liabilities			
Equity			
Reserves		900 000	-
Accumulated funds		4 277 929	2 400 340
		5 177 929	**2 400 340**
Liabilities			
Current Liabilities			
Trade and other payables	6	2 334 238	2 054 550
Total Equity and Liabilities		**7 512 167**	**4 454 890**

Statement of Comprehensive Income

Figures in Rand	Notes	2012	2011
Revenue	7	9 818 141	7 074 127
Cost of sales		(331 697)	(344 526)
Gross surplus		**9 486 444**	**6 729 601**
Other income		254 287	169 710
Operating expenses		(7 580 506)	(6 071 672)
Operating surplus	8	**2 160 225**	**827 639**
Investment revenue	9	317 475	207 061
Finance costs	10	(111)	-
Surplus for the year		**2 477 589**	**1 034 700**
Other comprehensive income:			
Movement in CPD Development Reserve		300 000	-
Other comprehensive income for the year net of taxation		**300 000**	-
Total comprehensive surplus for the year		**2 777 589**	**1 034 700**

The Insurance Institute of South Africa
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Statement of Changes in Equity

Figures in Rand	CPD Development Reserve	Conference Reserve	Total reserves	Accumulated funds	Total equity
Balance at 01 January 2011	-	-	-	**1 210 182**	**1 210 182**
Changes in equity					
Total comprehensive surplus for the year	-	-	-	1 034 700	1 034 700
Prior period adjustments	-	-	-	155 458	155 458
Total changes	-	-	-	1 190 158	1 190 158
Balance at 01 January 2012	-	-	-	**2 400 340**	**2 400 340**
Changes in equity					
Total comprehensive surplus for the year	-	-	-	2 477 589	2 477 589
Movement to Conference Reserve	-	600 000	600 000	(600 000)	-
Movement to CPD Development Reserve	300 000	-	300 000	-	300 000
Total changes	300 000	600 000	900 000	1 877 589	2 777 589
Balance at 31 December 2012	**300 000**	**600 000**	**900 000**	**4 277 929**	**5 177 929**

Statement of Cash Flows

Figures in Rand	Notes	2012	2011
Cash flows from operating activities			
Cash generated from operations	13	2 857 477	1 110 578
Interest income		317 475	207 061
Finance costs		(111)	-
Net cash from operating activities		**3 174 841**	**1 317 639**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(82 716)	-
Total cash movement for the year		**3 092 125**	**1 317 639**
Cash at the beginning of the year		4 250 438	2 932 799
Total cash at end of the year	5	**7 342 563**	**4 250 438**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act 71 of 2008. The annual financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	**Average useful life**
Furniture and fixtures	6 years
Motor vehicles	4 years
IT equipment	3 years
Printing equipment	5 years

The residual value, depreciation method and the useful life of each asset are reviewed at each annual reporting period if there are indicators present that there is a change from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life.

1.3 Intangible assets

An intangible assets is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

Accounting Policies

1.3 Intangible assets (continued)

If the company is unable to make a reliable estimate of the useful life of an intangible assets, the life will be presumed to be 10 years.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

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

Item	**Useful life**
Computer software	2 years

1.4 Financial instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at cost

Equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably are measured at cost less impairment. This includes equity instruments held in unlisted investments.

Financial instruments at fair value

All other financial instruments are measured at fair value through profit and loss.

1.5 Leases

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

Operating leases - lessor

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

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

1.6 Impairment of assets

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

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

1.7 Employee benefits

Short-term employee benefits

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

Accounting Policies

1.8 Provisions and contingencies

Provisions are recognised when:
- the company has an obligation at the reporting period date as a result of a past event;
- it is probable that the company will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

1.9 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

1.10 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	75 862	(40 764)	35 098	75 862	(25 934)	49 928
Motor vehicles	52 551	(36 786)	15 765	52 551	(35 472)	17 079
IT equipment	178 820	(71 730)	107 090	96 104	(60 703)	35 401
Printing equipment	2 350 800	(2 350 800)	-	2 350 800	(2 248 757)	102 043
Total	**2 658 033**	**(2 500 080)**	**157 953**	**2 575 317**	**(2 370 866)**	**204 451**

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	49 928	-	(14 830)	35 098
Motor vehicles	17 079	-	(1 314)	15 765
IT equipment	35 401	82 716	(11 027)	107 090
Printing equipment	102 043	-	(102 043)	-
	204 451	**82 716**	**(129 214)**	**157 953**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Depreciation	Impairment loss	Total
Furniture and fixtures	59 807	(9 879)	-	49 928
Motor vehicles	18 392	(1 313)	-	17 079
IT equipment	41 171	(5 770)	-	35 401
Printing equipment	235 080	-	(133 037)	102 043
	354 450	**(16 962)**	**(133 037)**	**204 451**

3. Intangible assets

	2012			2011		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	25 000	(24 999)	1	25 000	(24 999)	1

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	1	1

Reconciliation of intangible assets - 2011

	Opening balance	Total
Computer software	1	1

4. Trade and other receivables

	2012	2011
Prepayments	11 650	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 536	594
Bank balances	7 339 027	4 249 844
	7 342 563	**4 250 438**

The company has a guarantee in favour of Freestone Property Investments (Proprietary) Limited to the value of R212 538 which expires on 31 October 2015.

6. Trade and other payables

Trade payables	250 447	241 426
Amounts received in advance	1 390 755	1 293 914
VAT	129 506	141 860
Leave pay accrual	304 314	91 101
Other accrued expenses	250 216	277 249
Deposits received	9 000	9 000
	2 334 238	**2 054 550**

7. Revenue

Sale of text books	2 296 067	1 921 993
Membership subscriptions received	3 829 611	3 589 905
Conference surplus	2 387 275	54 944
CPD Development	167 158	-
Learner management	12 459	8 783
Seminar income	373 697	288 564
Royalties	586 630	725 123
FAIS	165 244	484 815
	9 818 141	**7 074 127**

8. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	699 160	637 002
Impairment on property, plant and equipment	-	133 037
Depreciation on property, plant and equipment	129 214	16 964
Employee costs	5 352 018	3 790 446
Research and development	59 797	92 233

9. Investment revenue

Interest revenue		
Bank	317 475	207 061

10. Finance costs

Other interest paid	111	-

Notes to the Annual Financial Statements

Figures in Rand	2012	2011

11. Conference surplus/(deficit)

Conference income	8 240 285	6 550 268
Conference sponsorships	1 300 877	1 070 000
Direct conference costs	(7 153 887)	(7 565 324)
	2 387 275	**54 944**

12. Auditors' remuneration

Fees	60 000	55 000

13. Cash generated from operations

Surplus before taxation	2 477 589	1 034 700
Adjustments for:		
Depreciation and amortisation	129 214	16 964
Interest received	(317 475)	(207 061)
Finance costs	111	-
Impairment loss	-	133 037
Movements in retirement benefit assets and liabilities	-	(110 107)
Other non-cash items	-	(2)
Non cash movement in other assets	-	155 457
Movement in reserve accounts	(300 000)	-
Conference risk provision	600 000	-
Changes in working capital:		
Trade and other receivables	(11 650)	115 945
Trade and other payables	279 688	(28 355)
	2 857 477	**1 110 578**

14. Director's Emoluments

Executive - D. J. Harpur	1 013 012	904 475

15. Directors' emoluments

Executive

2012

	Emoluments	Total
DJ Harpur	1 013 012	1 013 012

2011

	Emoluments	Total
DJ Harpur	904 475	904 475