The Insurance Institute of South Africa
(Registration number 1993/002172/08)
Annual financial statements
for the year ended 31 December 2013

Colin Smith & Co
Chartered Accountants (S.A.)
Registered Auditors
Issued 01 April 2014

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 Brian Cyril Benfield Barry Scott George Walter Bishop Gerrit Johann Sandrock Peter Todd Ncololwane Morwe
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 Auditors
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:

Level of assurance

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

Published

01 April 2014

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 judgements 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 2014 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.

Director

Director

Independent Auditors' Report

To the shareholder of The Insurance Institute of South Africa

Report on the Financial Statements

We have audited the annual financial statements of The Insurance Institute of South Africa, as set out on pages 8 to 18, 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 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 2013, 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 initial entry of the collections in the accounting records. Accordingly it was impractical for us to extend our examination beyond the receipts actually recorded.

Supplementary Information

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 19 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.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 31 December 2013, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual financial statements. This report is the responsibility of the respective preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited annual financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Colin Smith & Co

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

Sandton
Gleneagles, Fairway Office Park
52 Grosvenor Road
Bryanston
2021

01 April 2014
Per: Colin Smith

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of The Insurance Institute of South Africa for the year ended 31 December 2013.

1. Nature of business

The Insurance Institute of South Africa was incorporated in South Africa with interests in the insurance industry. The company operates in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

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

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

3. Directors

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

Directors	
Junior Ngulube	
David James Harpur	Chief Executive Officer
Nash Omar	
Ronald Melvyn Gordon	
Brian Cyril Benfield	Dr
Barry Scott	
George Walter Bishop	
Gerrit Johann Sandrock	Dr
Peter Todd	President
Ncololwane Morwe	

There have been no changes to the directorate for the period under review.

4. Directors' interests in contracts

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

5. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going concern

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

7. Auditors

Colin Smith & Co continued in office as auditors for the company for 2013.

At the AGM, the shareholder will be requested to reappoint Colin Smith & Co as the independent external auditors of the company and to confirm Mr Colin Smith as the designated lead audit partner for the 2014 financial year.

Directors' Report

8. Secretary

The company secretary is Mr Dave Freese.

Statement of Financial Position as at 31 December 2013

Figures in Rand	Notes	2013	2012
Assets			
Non-Current Assets			
Property, plant and equipment	2	127 397	157 953
Intangible assets	3	1	1
		127 398	**157 954**
Current Assets			
Trade and other receivables	4	65 337	11 650
Cash and cash equivalents	5	10 909 201	7 342 563
		10 974 538	**7 354 213**
Total Assets		**11 101 936**	**7 512 167**
Equity and Liabilities			
Equity			
Reserves		1 905 573	900 000
Accumulated funds		7 115 902	4 277 929
		9 021 475	**5 177 929**
Liabilities			
Current Liabilities			
Trade and other payables	6	2 080 461	2 334 238
Total Equity and Liabilities		**11 101 936**	**7 512 167**

Statement of Comprehensive Income

Figures in Rand	Notes	2013	2012
Revenue	7	10 777 709	9 818 141
Cost of sales		(399 787)	(331 697)
Gross surplus		**10 377 922**	**9 486 444**
Other income	8	527 125	254 287
Operating expenses		(8 317 257)	(7 580 506)
Operating surplus	9	**2 587 790**	**2 160 225**
Investment revenue	10	593 256	317 475
Finance costs	11	-	(111)
Surplus for the year		**3 181 046**	**2 477 589**
Other comprehensive income		-	-
Total comprehensive surplus for the year		**3 181 046**	**2 477 589**

Statement of Changes in Equity

Figures in Rand	CPD Development Reserve	Conference Reserve	Material updates reserve	Printer replacement reserve	Total reserves	Accumulated funds	Total equity
Balance at 01 January 2012	-	-	-	-	-	**2 400 340**	**2 400 340**
Surplus for the year	-	-	-	-	-	2 477 589	2 477 589
Movement for the year	300 000	600 000	-	-	900 000	(600 000)	300 000
Total comprehensive income for the year	**300 000**	**600 000**	-	-	**900 000**	**1 877 589**	**2 777 589**
Balance at 01 January 2013	**300 000**	**600 000**	-	-	**900 000**	**4 277 929**	**5 177 929**
Surplus for the year	-	-	-	-	-	3 181 046	3 181 046
Movement for the year	(200 000)	300 000	350 000	212 500	662 500	-	662 500
Movement to Conference Reserve	**(200 000)**	**300 000**	**350 000**	**212 500**	**662 500**	**3 181 046**	**3 843 546**
Transfer from accumlated funds	-	-	343 073	-	343 073	(343 073)	-
	-	-	**343 073**	-	**343 073**	**(343 073)**	-
Balance at 31 December 2013	**100 000**	**900 000**	**693 073**	**212 500**	**1 905 573**	**7 115 902**	**9 021 475**

Statement of Cash Flows

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			
Cash generated from operations	14	2 973 382	2 857 477
Interest income		593 256	317 475
Finance costs		-	(111)
Net cash from operating activities		**3 566 638**	**3 174 841**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	-	(82 716)
Total cash movement for the year		**3 566 638**	**3 092 125**
Cash at the beginning of the year		7 342 563	4 250 438
Total cash at end of the year	5	**10 909 201**	**7 342 563**

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 judgements, estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Financial assets measured at cost and amortised cost

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

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. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Provisions

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

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.

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

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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.

Accounting Policies

1.2 Property, plant and equipment (continued)

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 useful life of each asset are reviewed at each annual reporting period if there are indicators present that there has been a significant change from the previous estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.3 Intangible assets

An intangible asset 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.

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

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting 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

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through profit or loss.

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At the end of each reporting 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

Commitments to receive a loan are measured at cost less impairment.

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.

Accounting Policies

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. 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 except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with expected general inflation.

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.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term except in cases where another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or where the payments are structured to increase in line with expected general inflation.

1.6 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

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.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

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.

1.8 Provisions and contingencies

Provisions are recognised when:
- the company has an obligation at the reporting 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.

Accounting Policies

1.9 Revenue

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.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

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.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Borrowing costs

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

2. Property, plant and equipment

	2013			2012		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	75 862	(50 643)	25 219	75 862	(40 764)	35 098
Motor vehicles	52 551	(36 786)	15 765	52 551	(36 786)	15 765
IT equipment	178 820	(92 407)	86 413	178 820	(71 730)	107 090
Printing equipment	2 350 800	(2 350 800)	-	2 350 800	(2 350 800)	-
Total	**2 658 033**	**(2 530 636)**	**127 397**	**2 658 033**	**(2 500 080)**	**157 953**

Reconciliation of property, plant and equipment - 2013

	Opening balance	Depreciation	Total
Furniture and fixtures	35 098	(9 879)	25 219
Motor vehicles	15 765	-	15 765
IT equipment	107 090	(20 677)	86 413
	157 953	**(30 556)**	**127 397**

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**

3. Intangible assets

	2013			2012		
	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 - 2013

	Opening balance	Total
Computer software	1	1

Reconciliation of intangible assets - 2012

	Opening balance	Total
Computer software	1	1

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

4. Trade and other receivables

Prepayments	-	11 650
VAT	65 337	-
	65 337	**11 650**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	3 546	3 536
Bank balances	10 905 655	7 339 027
	10 909 201	**7 342 563**

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

Other payables	515 349	250 447
Amounts received in advance	1 210 644	1 390 755
VAT	-	129 506
Leave pay accrual	304 314	304 314
Other accrued expenses	41 154	250 216
Deposits received	9 000	9 000
	2 080 461	**2 334 238**

7. Revenue

Sale of text books	2 446 041	2 296 067
Membership subscriptions received	4 386 448	3 829 611
Conference surplus	2 331 884	2 387 275
CPD Development	631 796	167 158
Learner management	14 835	12 459
Seminar income	268 493	373 697
Royalties	691 763	586 630
FAIS	6 449	165 244
	10 777 709	**9 818 141**

8. Other income

Rental income	182 851	245 180
Other income	344 274	9 107
	527 125	**254 287**

9. Operating surplus

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

Operating lease charges

Premises		
• Contractual amounts	788 284	699 160

Notes to the Annual Financial Statements

Figures in Rand	2013	2012

9. Operating surplus (continued)

Depreciation on property, plant and equipment	30 556	129 214
Employee costs	5 800 015	5 352 018
Research and development	45 087	59 797

10. Investment revenue

Interest revenue		
Bank	593 256	317 475

11. Finance costs

Other interest paid	-	111

12. Conference surplus/(deficit)

Conference income	9 779 926	8 240 285
Conference sponsorships	1 683 947	1 300 877
Direct conference costs	(9 131 989)	(7 153 887)
	2 331 884	**2 387 275**

13. Auditors' remuneration

Fees	63 000	60 000

14. Cash generated from operations

Surplus before taxation	3 181 046	2 477 589
Adjustments for:		
Depreciation and amortisation	30 556	129 214
Interest received - investment	(593 256)	(317 475)
Finance costs	-	111
Printer replacement reserve	212 500	-
Conference reserve	300 000	600 000
Material update reserve	350 000	-
CPD development reserve	(200 000)	(300 000)
Changes in working capital:		
Trade and other receivables	(53 687)	(11 650)
Trade and other payables	(253 777)	279 688
	2 973 382	**2 857 477**

15. Directors' remuneration

Executive

2013

	Emoluments	Total
David James Harpur	1 468 808	1 468 808

2012

	Emoluments	Total
David James Harpur	1 013 012	1 013 012