



# SAICA

THE SOUTH AFRICAN INSTITUTE  
OF CHARTERED ACCOUNTANTS

develop.influence.lead.

Group Financial Report 2010

develop. influence. lead.



Strength of Auditing and Reporting Standards  
The Global Competitiveness Report 2010-2011  
World Economic Forum





## Contents

- 1 Report of the Audit and Risk Committee
- 2 Five-year summary
  
- Financial Statements**
- 4 Statement of responsibility by the Board
- 5 Report of the Independent Auditor
- 6 Statements of financial position
- 7 Statements of comprehensive income
- 8 Statements of cash flows
- 9 Statements of changes in reserves
- 10 Notes to the annual financial statements
  
- 34 Notice of the SAICA Annual General Meeting
- 35 Form of proxy

## Our vision, value proposition and mission

### SAICA values

The South African Institute of Chartered Accountants (SAICA) is striving to become a values-driven organisation.

Our chosen values are:

We **SERVE** our members

We **LEAD** by example

We **WORK** as a team

We **RESPECT** the individual

Above all, we **ACT** with integrity

### SAICA vision

To develop leaders

### SAICA value proposition

The SAICA value proposition we aspire to deliver to our members is:

• **develop** • **influence** • **lead**

Develop

We facilitate the development of entry level CAs(SA) and facilitate the development of the skills of existing members.

Influence

We influence external stakeholders in the interest of our member constituencies.

Lead

We lead in sustaining, developing and promoting the CA(SA) designation, and the profession through ongoing member service for the benefit of our members.

### SAICA mission

The mission of SAICA is to serve the interests of the chartered accountancy profession and society, by upholding professional standards and integrity, and the pre-eminence of South African CAs nationally and internationally, by:

- Delivering competent entry – level members
- Providing services to the members to maintain and enhance their professional competence thereby enabling them to create value for their clients and employers
- Enhancing the quality and information used in the private and public sectors for measuring and enhancing organizational performance
- Running and facilitating programmes to transform the profession and to facilitate community upliftment
- Fulfilling a leadership role regarding relevant business-related issues and providing reliable and respected public commentary



# Report of the Audit and Risk Committee

We are pleased to present our report for the financial year ended 31 December 2010.

## Audit and Risk Committee Members and Attendance:

The Audit and Risk Committee (AUDCO) consists of the members listed hereunder. During the current year four meetings were held.

| Members of AUDCO     | Tenure                | Audit and Risk Committees |
|----------------------|-----------------------|---------------------------|
| VM Sekese (Chairman) | 1 June 06 to present  | 4/4                       |
| TA Derwin            | 1 June 08 to present  | 3/4                       |
| CR Emslie            | 1 Sept 09 to present  | 2/4                       |
| MMT Ramano           | 1 Jan 10 to present   | 2/4                       |
| MW Schoeman          | 1 April 10 to present | 2/2                       |
| M Matlwa             | 1 Feb 09 to present   | 4/4                       |

## Audit and Risk Committee responsibility

The committee reports that it has complied with its responsibilities arising from Corporate Laws Amendment Act, No 24 of 2006 (the Act) that became effective on 14 December 2007. The committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

## The effectiveness of internal control and risk management

The system of controls is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the Act and the King III Report on Corporate Governance requirements, Internal Audit provides the committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors and the Audit Report on the annual financial statements it was noted that no significant or material non-compliance with prescribed policies and procedures have been reported. Accordingly, we can report that the system of internal control for the period under review was efficient and effective. The committee is directly responsible for the appointment (subject to Board ratification), compensation, retention, and oversight of the independent auditors.

## External audit

The committee has satisfied itself through enquiry that the auditors of SAICA are independent as defined by the Act. The committee, in consultation with executive management, agreed to an audit fee for the 2010 financial year. The fee is considered appropriate for the work that could reasonably have been foreseen at that time. Meetings were held with the auditor where management was not present, and also with management where the auditor was not present. The committee has nominated, for approval at the annual general meeting, KPMG as the external auditor for the 2011 financial year, and Mrs Charmaine Swart as the designated auditor.

## Annual financial statements

The committee has recommended the annual financial statements as set out on pages 6 to 33 for approval to the Board. The Board has subsequently approved the financial statements which will be open for discussion at the forthcoming annual general meeting.



**VM Sekese**

*Chairman of the Audit and Risk Committee*



# Five-year summary

|   | 2010          |            | 2009   |            | 2008   |            | 2007   |            | 2006   |            |
|---|---------------|------------|--------|------------|--------|------------|--------|------------|--------|------------|
|   | Number        | % of total | Number | % of total | Number | % of total | Number | % of total | Number | % of total |
| <b>Members at the end of the year</b>       |               |            |        |            |        |            |        |            |        |            |
| In South Africa                             |               |            |        |            |        |            |        |            |        |            |
| Members in business                         | <b>11 321</b> | <b>36</b>  | 10 497 | 35         | 9 937  | 35         | 9 605  | 36         | 9 395  | 37         |
| Public practice                             | <b>8 014</b>  | <b>25</b>  | 7 432  | 24         | 7 003  | 24         | 6 541  | 24         | 6 373  | 25         |
| – large firms: employed                     | <b>2 863</b>  | <b>9</b>   | 2 528  | 8          | 2 318  | 8          | 2 012  | 7          | 1 884  | 7          |
| – large firms: partner                      | <b>551</b>    | <b>2</b>   | 565    | 2          | 578    | 2          | 594    | 2          | 603    | 2          |
| – medium firms: employed                    | <b>1 128</b>  | <b>4</b>   | 986    | 3          | 827    | 3          | 696    | 3          | 678    | 3          |
| – medium firms: partner                     | <b>414</b>    | <b>1</b>   | 406    | 1          | 418    | 1          | 413    | 2          | 415    | 2          |
| – small firms: employed                     | <b>485</b>    | <b>2</b>   | 419    | 1          | 366    | 1          | 299    | 1          | 278    | 1          |
| – small firms: partner                      | <b>1 102</b>  | <b>3</b>   | 1 089  | 4          | 1 093  | 4          | 1 099  | 4          | 1 091  | 4          |
| – sole practitioner                         | <b>1 471</b>  | <b>5</b>   | 1 439  | 5          | 1 403  | 5          | 1 428  | 5          | 1 424  | 6          |
| Retired                                     | <b>1 067</b>  | <b>3</b>   | 1 063  | 4          | 1 074  | 4          | 1 055  | 4          | 1 061  | 4          |
| Public sector                               | <b>915</b>    | <b>3</b>   | 819    | 3          | 753    | 3          | 701    | 3          | 698    | 3          |
| Education                                   | <b>527</b>    | <b>2</b>   | 466    | 2          | 417    | 1          | 400    | 1          | 401    | 2          |
| Unemployed                                  | <b>199</b>    | <b>1</b>   | 156    | 1          | 135    | 1          | 115    | –          | 110    | –          |
| Other                                       | <b>2 570</b>  | <b>8</b>   | 2 456  | 8          | 2 395  | 9          | 2 401  | 9          | 1 791  | 6          |
| Total members in South Africa               | <b>24 613</b> | <b>78</b>  | 22 889 | 77         | 21 714 | 77         | 20 818 | 77         | 19 829 | 77         |
| Foreign-based members                       | <b>6 989</b>  | <b>22</b>  | 6 782  | 23         | 6 411  | 23         | 6 097  | 23         | 5 826  | 23         |
| Total members                               | <b>31 602</b> | <b>100</b> | 29 671 | 100        | 28 125 | 100        | 26 915 | 100        | 25 655 | 100        |
| Percentage increase                         | <b>7</b>      |            | 5      |            | 4      |            | 5      |            | 5      |            |
| Female members                              | <b>9 212</b>  | <b>29</b>  | 8 231  | 28         | 7 412  | 26         | 6 706  | 25         | 6 052  | 24         |
| Male members                                | <b>22 390</b> | <b>71</b>  | 21 440 | 72         | 20 713 | 74         | 20 209 | 75         | 19 603 | 76         |
| Total members                               | <b>31 602</b> | <b>100</b> | 29 671 | 100        | 28 125 | 100        | 26 915 | 100        | 25 655 | 100        |
| Black members                               | <b>5 492</b>  |            | 4 654  |            | 3 973  |            | 3 463  |            | 3 008  |            |
| Percentage growth                           |               | <b>18</b>  |        | 17         |        | 15         |        | 15         |        | 17         |
| Percentage of total members in South Africa |               | <b>22</b>  |        | 20         |        | 18         |        | 17         |        | 15         |
| Percentage of total membership              |               | <b>17</b>  |        | 16         |        | 14         |        | 13         |        | 12         |

|   | 2010           |                    | 2009    |                    | 2008    |                    | 2007    |                    | 2006    |                    |
|---|----------------|--------------------|---------|--------------------|---------|--------------------|---------|--------------------|---------|--------------------|
|   | Number         | %<br>move-<br>ment | Number  | %<br>move-<br>ment | Number  | %<br>move-<br>ment | Number  | %<br>move-<br>ment | Number  | %<br>move-<br>ment |
| <b>Activity</b>                               |                |                    |         |                    |         |                    |         |                    |         |                    |
| Total services taken up                       | <b>41 353</b>  | <b>(8)</b>         | 45 120  | 16                 | 38 877  | 6                  | 36 798  | (9)                | 45 223  | 90                 |
| Seminars and workshops participants           | <b>20 834</b>  | <b>(25)</b>        | 27 776  | 21                 | 23 025  | 15                 | 19 988  | 34                 | 14 922  | (13)               |
| Events  | <b>10 672</b>  | <b>4</b>           | 10 290  | 3                  | 10 025  | (1)                | 10 172  | (39)               | 16 583  | 304                |
| Broadcasts                                    | <b>4 547</b>   | <b>188</b>         | 1 579   | 97                 | 800     | (81)               | 4 264   | (45)               | 7 691   | –                  |
| E-learning and other products                 | <b>3 211</b>   | <b>0</b>           | 3 219   | (3)                | 3 318   | 1 271              | 242     | (93)               | 3 479   | 397                |
| Communication sessions                        | <b>2 089</b>   | <b>(7)</b>         | 2 256   | 32                 | 1 709   | (20)               | 2 132   | (16)               | 2 548   | 20                 |
| <b>Total trainees at the end of the year</b>  | <b>9 534</b>   | <b>1</b>           | 9 444   | 0                  | 9 478   | 5                  | 9 025   | 8                  | 9 917   | 3                  |
| <b>Including the following:</b>               |                |                    |         |                    |         |                    |         |                    |         |                    |
| Black trainees – TIPP                         | <b>4 526</b>   | <b>2</b>           | 4 423   | 3                  | 4 301   | 11                 | 3 870   | 15                 | 3 968   | 15                 |
| Female trainees – TIPP                        | <b>4 656</b>   | <b>0</b>           | 4 670   | 1                  | 4 612   | 7                  | 4 314   | 8                  | 4 774   | 6                  |
| Black trainees – TOPP                         | <b>215</b>     | <b>0</b>           | 216     | 14                 | 189     | 7                  | 177     | (3)                | 184     | 9                  |
| Female trainees – TOPP                        | <b>139</b>     | <b>(10)</b>        | 154     | 10                 | 140     | 18                 | 119     | 32                 | 132     | 7                  |
| Staff complement at year-end                  | <b>159</b>     | <b>1</b>           | 157     | 14                 | 138     | 7                  | 129     | 5                  | 123     | 2                  |
|   | <b>R'000</b>   |                    | R'000   |                    | R'000   |                    | R'000   |                    | R'000   |                    |
| <b>Financial information</b>                  |                |                    |         |                    |         |                    |         |                    |         |                    |
| Total reserves                                | <b>102 680</b> | <b>41</b>          | 72 680  | 8                  | 67 555  | 7                  | 63 302  | 12                 | 56 303  | 14                 |
| Total Group annual revenue                    | <b>292 879</b> | <b>4</b>           | 282 727 | 20                 | 236 076 | 14                 | 206 282 | (3)                | 212 846 | 33                 |
| Total Group annual expenditure                | <b>279 312</b> | <b>(1)</b>         | 283 363 | 18                 | 239 842 | 16                 | 206 021 | (5)                | 216 304 | 35                 |
| Total reserves as a percentage of expenditure |                | <b>37</b>          |         | 26                 |         | 28                 |         | 31                 |         | 26                 |
| Subscriptions as a percentage of revenue      |                | <b>32</b>          |         | 32                 |         | 35                 |         | 30                 |         | 26                 |

(–) denotes information unavailable or not applicable



# Annual financial statements

for the year ended 31 December 2010

## Statement of responsibility by the Board

The SAICA Board is responsible for the preparation, integrity and objectivity of the annual financial statements which present fairly the financial position of the group and of the Institute at the end of the financial year and the results for the year, and other information contained in this Group annual report.

The Board sets strategy and policy. Management implements strategy, policy and systems of internal control, as well as accounting and information systems. The internal financial controls provide reasonable, but not absolute assurance that assets are safeguarded, the risk of error, fraud or loss is reduced in a cost-effective manner and that transactions are executed and recorded in accordance with the Institute's policies and procedures. These controls are implemented by trained, skilled staff with clearly defined lines of accountability and an appropriate segregation of duties. The controls include a comprehensive budgeting and reporting system operating within strict deadlines and an appropriate control framework.

The Group's internal audit function, introduced during 2004, operates unimpeded and independently from operational management and has unrestricted access to the Audit Committee. It appraises, evaluates and when necessary, recommends improvements to the systems of internal control and accounting practices. This includes conducting operational, financial and specific audits and liaising with the external auditors.

The Audit Committee, together with the internal auditors, play an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure.

The Human Resources Committee oversees all aspects of the Group's remuneration.

To the best of their knowledge and belief, based on the above, the Board is satisfied that no material breakdown in the operation of the systems of internal control and procedures has occurred during the year under review.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with applicable financial reporting framework.

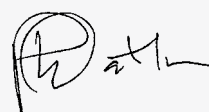
The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements are based on appropriate accounting policies that are consistently applied and supported by reasonable and prudent judgements and estimates.

The Board believes that the Group and Institute will be a going concern in the year ahead. For this reason it continues to adopt the going concern basis in preparing the annual financial statements.

The annual financial statements were approved by the Board on 20 April 2011 and are signed on its behalf by:



**JH Labuschagne**  
Chairman



**M Matlwa**  
Chief Executive Officer

# Report of the Independent Auditor

for the year ended 31 December 2010

## TO THE MEMBERS OF THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (SAICA)

### Report on the financial statements

We have audited the group annual financial statements and the annual financial statements of the South African Institute of Chartered Accountants (SAICA), which comprise the statements of financial position at 31 December 2010, and the statements of comprehensive income, changes in reserves and cash flow for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the director's report, as set out on pages 6 to 33.

### Board's responsibility for the financial statements

The Board of Directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Board determine necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error:

### Auditor's 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. These 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 auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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, these financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Institute of Chartered Accountants at 31 December 2010 and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Inc.



Per C. Swart

Chartered Accountant (SA)

Registered Auditor

Director

20 April 2011



# Statements of financial position

at 31 December 2010

|                                       | Note | Group          |               | Institute      |               |
|---------------------------------------|------|----------------|---------------|----------------|---------------|
|                                       |      | 2010<br>R'000  | 2009<br>R'000 | 2010<br>R'000  | 2009<br>R'000 |
| <b>ASSETS</b>                         |      |                |               |                |               |
| <b>Non-current assets</b>             |      |                |               |                |               |
| Property, plant and equipment         | 3    | 47 883         | 32 972        | 47 427         | 32 777        |
| Intangible assets                     | 4    | 11 622         | 10 138        | 11 622         | 10 138        |
| Investments                           | 5    | 3 821          | 3 383         | 3 821          | 3 383         |
| Investment in joint venture           | 6    | –              | –             | 914            | 914           |
| Investment in controlled entity       | 7    | –              | –             | 1 286          | 1 286         |
| Deferred tax                          | 18.2 | –              | 24            | –              | –             |
| <b>Current assets</b>                 |      |                |               |                |               |
| Inventories                           | 8    | 1 419          | 379           | 1 279          | 291           |
| Trade and other receivables           | 9    | 16 956         | 22 167        | 10 330         | 9 803         |
| Cash and cash equivalents             | 10   | 107 079        | 69 954        | 94 990         | 66 238        |
| <b>Total assets</b>                   |      |                |               |                |               |
|                                       |      | <b>188 780</b> | 139 017       | <b>171 669</b> | 124 830       |
| <b>Reserves and liabilities</b>       |      |                |               |                |               |
| <b>Reserves</b>                       |      |                |               |                |               |
|                                       | 12   | <b>102 680</b> | 72 680        | <b>86 476</b>  | 64 330        |
| <b>Non-current liabilities</b>        |      |                |               |                |               |
| Loans and borrowings                  | 11   | 1 130          | 973           | –              | –             |
| <b>Current liabilities</b>            |      |                |               |                |               |
| Trade and other payables              | 13   | 84 842         | 65 236        | 85 193         | 60 500        |
| Tax payable                           | 18.1 | 128            | 128           | –              | –             |
| <b>Total reserves and liabilities</b> |      |                |               |                |               |
|                                       |      | <b>188 780</b> | 139 017       | <b>171 669</b> | 124 830       |

# Statements of comprehensive income

for the year ended 31 December 2010

|   | Note | Group            |               | Institute        |               |
|---|------|------------------|---------------|------------------|---------------|
|   |      | 2010<br>R'000    | 2009<br>R'000 | 2010<br>R'000    | 2009<br>R'000 |
| Revenue   | 14   | <b>292 879</b>   | 282 727       | <b>201 491</b>   | 188 033       |
| Expenditure                                       | 15   | <b>(279 312)</b> | (283 363)     | <b>(195 742)</b> | (189 330)     |
| <b>Operating surplus/(deficit)</b>                |      | <b>13 567</b>    | (636)         | <b>5 749</b>     | (1 297)       |
| Finance income                                    | 16   | <b>5 823</b>     | 5 651         | <b>5 336</b>     | 4 872         |
| Finance expense                                   | 17   | <b>(427)</b>     | (302)         | <b>–</b>         | –             |
| <b>Net finance income</b>                         |      | <b>5 396</b>     | 5 349         | <b>5 336</b>     | 4 872         |
| Loss on disposal of property, plant and equipment | 3.3  | <b>(61)</b>      | (126)         | <b>(61)</b>      | (121)         |
| <b>Surplus before taxation</b>                    |      | <b>18 902</b>    | 4 587         | <b>11 024</b>    | 3 454         |
| Income tax expense                                | 18   | <b>(24)</b>      | (104)         | <b>–</b>         | –             |
| <b>Surplus for the year</b>                       |      | <b>18 878</b>    | 4 483         | <b>11 024</b>    | 3 454         |
| <b>Other comprehensive income</b>                 |      |                  |               |                  |               |
| Available-for-sale investments                    | 5    | <b>438</b>       | 638           | <b>438</b>       | 638           |
| Actuarial gains on defined benefit pension plans  | 22   | <b>–</b>         | –             | <b>–</b>         | –             |
| Limit on recognition of fund assets               | 22   | <b>274</b>       | 4             | <b>274</b>       | 4             |
| Other comprehensive income for the year           |      | <b>712</b>       | 642           | <b>712</b>       | 642           |
| <b>Total comprehensive income for the year</b>    |      | <b>19 590</b>    | 5 125         | <b>11 736</b>    | 4 096         |



# Statements of cash flows

for the year ended 31 December 2010

|   | Group          |               | Institute      |               |
|---|----------------|---------------|----------------|---------------|
|   | 2010<br>R'000  | 2009<br>R'000 | 2010<br>R'000  | 2009<br>R'000 |
| <b>Cash flow from operating activities</b>                  |                |               |                |               |
| Surplus before tax for the year                             | <b>18 902</b>  | 4 587         | <b>11 024</b>  | 3 454         |
| Adjusted for:   |                |               |                |               |
| – Depreciation charge                                       | <b>3 740</b>   | 2 530         | <b>3 626</b>   | 2 474         |
| – Amortisation of intangible asset                          | <b>2 646</b>   | 2 018         | <b>2 646</b>   | 2 018         |
| – Finance income  | <b>(5 823)</b> | (5 651)       | <b>(5 336)</b> | (4 872)       |
| – Finance cost  | <b>270</b>     | 302           | <b>–</b>       | –             |
| – Loss on disposal of property, plant and equipment         | <b>61</b>      | 126           | <b>61</b>      | 121           |
| – Pension fund reserve movement                             | <b>(161)</b>   | 4             | <b>(161)</b>   | 4             |
| – Reversal of impairment of investment in controlled entity | <b>–</b>       | –             | <b>–</b>       | (582)         |
| <b>Operating cash flow before working capital changes</b>   | <b>19 636</b>  | 3 916         | <b>11 860</b>  | 2 617         |
| <b>Working capital changes</b>                              | <b>23 777</b>  | 5 836         | <b>24 811</b>  | 8 999         |
| Increase in inventories                                     | <b>(1 040)</b> | (80)          | <b>(988)</b>   | (110)         |
| Decrease in trade and other receivables                     | <b>5 211</b>   | 1 242         | <b>1 106</b>   | 1 747         |
| Increase in trade and other payables                        | <b>19 606</b>  | 4 674         | <b>24 693</b>  | 7 362         |
| <b>Net cash flow from operating activities</b>              | <b>43 412</b>  | 9 752         | <b>36 671</b>  | 11 616        |
| <b>Cash flow from investing activities</b>                  |                |               |                |               |
| Finance income  | <b>5 823</b>   | 5 651         | <b>5 336</b>   | 4 872         |
| Finance cost  | <b>(270)</b>   | (302)         | <b>–</b>       | –             |
| Proceeds from disposal of property, plant and equipment     | <b>44</b>      | 51            | <b>44</b>      | 47            |
| Acquisition of property, plant and equipment                | <b>(7 911)</b> | (13 608)      | <b>(7 536)</b> | (13 501)      |
| Acquisition of intangible assets                            | <b>(4 130)</b> | (3 446)       | <b>(4 130)</b> | (3 446)       |
| Acquisition of investments                                  | <b>–</b>       | (9)           | <b>–</b>       | (9)           |
| Loan to joint venture                                       | <b>–</b>       | –             | <b>(1 633)</b> | (812)         |
| Advance to controlled entity                                | <b>–</b>       | –             | <b>–</b>       | 265           |
| <b>Net cash flow from investing activities</b>              | <b>(6 444)</b> | (11 663)      | <b>(7 919)</b> | (12 584)      |
| <b>Cash flow from financing activities</b>                  |                |               |                |               |
| Repayment of finance leases                                 | <b>–</b>       | (35)          | <b>–</b>       | (35)          |
| Loans and borrowings  | <b>157</b>     | 134           | <b>–</b>       | –             |
| <b>Net cash flow from financing activities</b>              | <b>157</b>     | 99            | <b>–</b>       | (35)          |
| Net increase/(decrease) in cash and cash equivalents        | <b>37 125</b>  | (1 812)       | <b>28 752</b>  | (1 003)       |
| Cash and cash equivalents at the beginning of the year      | <b>69 954</b>  | 71 766        | <b>66 238</b>  | 67 241        |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>107 079</b> | 69 954        | <b>94 990</b>  | 66 238        |

# Statements of changes in reserves

for the year ended 31 December 2010

| Group  |                           |                            |                            |                          |                         |  |                             |                |                        |                |
|--|---------------------------|----------------------------|----------------------------|--------------------------|-------------------------|--|-----------------------------|----------------|------------------------|----------------|
| Reconciliation of movement in reserves           | Revaluation reserve R'000 | Pension Fund reserve R'000 | SAICA Education Fund R'000 | Fair value reserve R'000 | Accumulated funds R'000 | Thuthuka Education Upliftment Fund R'000 | Thuthuka Bursary Fund R'000 | AAT (SA) R'000 | The Hope Factory R'000 | Total R'000    |
| Balance at 31 December 2008                      | 5 533                     | (117)                      | 6 273                      | 1 978                    | 46 810                  | –  | 7 653                       | (913)          | 338                    | 67 555         |
| Surplus  | –                         | –                          | –                          | –                        | 4 483                   | –  | –                           | –              | –                      | 4 483          |
| Other comprehensive income for the year          | –                         | 4                          | –                          | 638                      | –                       | –  | –                           | –              | –                      | 642            |
| Release from revaluation reserve                 | (388)                     | –                          | –                          | –                        | 388                     | –  | –                           | –              | –                      | –              |
| Transfer to SAICA Education Fund                 | –                         | –                          | 973                        | –                        | (973)                   | –  | –                           | –              | –                      | –              |
| Transfer from The Thuthuka Bursary Fund          | –                         | –                          | –                          | –                        | (112)                   | –  | 112                         | –              | –                      | –              |
| Transfer to AAT(SA)                              | –                         | –                          | –                          | –                        | (183)                   | –  | –                           | 183            | –                      | –              |
| Transfer from The Hope Factory                   | –                         | –                          | –                          | –                        | (860)                   | –  | –                           | –              | 860                    | –              |
| Balance at 31 December 2009                      | 5 145                     | (113)                      | 7 246                      | 2 616                    | 49 553                  | –  | 7 765                       | (730)          | 1 198                  | 72 680         |
| Surplus  | –                         | –                          | –                          | –                        | 18 878                  | –  | –                           | –              | –                      | 18 878         |
| Other comprehensive income for the year          | –                         | 274                        | –                          | 438                      | –                       | –  | –                           | –              | –                      | 712            |
| Release from revaluation reserve                 | (279)                     | –                          | –                          | –                        | 279                     | –  | –                           | –              | –                      | –              |
| Release from pension reserve                     | –                         | (161)                      | –                          | –                        | (274)                   | –  | –                           | –              | –                      | (435)          |
| Addition to revaluation reserve                  | 10 845                    | –                          | –                          | –                        | –                       | –  | –                           | –              | –                      | 10 845         |
| Transfer to SAICA Education Fund                 | –                         | –                          | 309                        | –                        | (309)                   | –  | –                           | –              | –                      | –              |
| Transfer from Thuthuka Education Upliftment Fund | –                         | –                          | –                          | –                        | (2 844)                 | 2 844                                    | –                           | –              | –                      | –              |
| Transfer from the Thuthuka Bursary Fund          | –                         | –                          | –                          | –                        | (1 094)                 | –  | 1 094                       | –              | –                      | –              |
| Transfer from AAT(SA)                            | –                         | –                          | –                          | –                        | (430)                   | –  | –                           | 430            | –                      | –              |
| Transfer from The Hope Factory                   | –                         | –                          | –                          | –                        | (3 591)                 | –  | –                           | –              | 3 591                  | –              |
| <b>Balance at 31 December 2010</b>               | <b>15 711</b>             | <b>–</b>                   | <b>7 555</b>               | <b>3 054</b>             | <b>60 168</b>           | <b>2 844</b>                             | <b>8 859</b>                | <b>(300)</b>   | <b>4 789</b>           | <b>102 680</b> |

| Institute                               |                           |                            |                            |                          |                         |               |
|---|---------------------------|----------------------------|----------------------------|--------------------------|-------------------------|---------------|
| Reconciliation of movement in reserves  | Revaluation reserve R'000 | Pension Fund reserve R'000 | SAICA Education Fund R'000 | Fair value reserve R'000 | Accumulated funds R'000 | Total R'000   |
| Balance as at 31 December 2008          | 5 533                     | (117)                      | 6 273                      | 1 978                    | 46 567                  | 60 234        |
| Surplus                                 | –                         | –                          | –                          | –                        | 3 454                   | 3 454         |
| Other comprehensive income for the year | –                         | 4                          | –                          | 638                      | –                       | 642           |
| Release from revaluation reserve        | (388)                     | –                          | –                          | –                        | 388                     | –             |
| Transfer to SAICA Education Fund        | –                         | –                          | 973                        | –                        | (973)                   | –             |
| Balance as at 31 December 2009          | 5 145                     | (113)                      | 7 246                      | 2 616                    | 49 436                  | 64 330        |
| Surplus                                 | –                         | –                          | –                          | –                        | 11 024                  | 11 024        |
| Other comprehensive income for the year | –                         | 274                        | –                          | 438                      | –                       | 712           |
| Release from pension reserve            | –                         | (161)                      | –                          | –                        | (274)                   | (435)         |
| Release from revaluation reserve        | (279)                     | –                          | –                          | –                        | 279                     | –             |
| Addition to revaluation reserve         | 10 845                    | –                          | –                          | –                        | –                       | 10 845        |
| Transfer to SAICA Education Fund        | –                         | –                          | 309                        | –                        | (309)                   | –             |
| <b>Balance at 31 December 2010</b>      | <b>15 711</b>             | <b>–</b>                   | <b>7 555</b>               | <b>3 054</b>             | <b>60 156</b>           | <b>86 476</b> |

The reserves are explained further in note 13.



# Notes to the annual financial statements

for the year ended 31 December 2010

## 1. GENERAL INFORMATION

SAICA is a voluntary association not for gain and is registered in terms of the Non-Profit Organisations Act, 1997 (Act 71 of 1997), having its principal place of business at 7 Zulberg Close, Bruma Lake, Johannesburg, South Africa. The primary activity of SAICA is to serve the interests of the chartered accountancy profession and society, by upholding professional standards and integrity, and the pre-eminence of South African chartered accountants nationally and internationally.

## 2. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented.

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

### 2.2 Adoption of new and revised standards

In the current year, SAICA has adopted all new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2010. The adoption of these new and revised standards and interpretations has not resulted in changes to the Group's accounting policies.

At the date of authorisation of these financial statements for the year ended 31 December 2010, the following standards and interpretations were in issue but not yet effective:

| Standard/interpretation |   | Effective date  |
|-------------------------|---|---|
| IAS 32                  | <i>Amendment to IAS 32 – Financial Instruments: Presentation – Classification of Rights Issues</i>  | Annual periods commencing on or after 1 February 2010 |
| IFRIC 19                | <i>Extinguishing financial liabilities with equity instruments</i>  | Annual periods commencing on or after 1 July 2010     |
| IFRS 1                  | <i>Amendments to IFRS 1 – First time adoption of International Financial reporting standards – Additional exemptions for First-time Adopters</i>                                  | Annual periods commencing on or after 1 July 2010     |
| IFRS 2                  | <i>Amendments to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payments Transactions</i>  | Annual periods commencing on or after 1 January 2010  |
| IFRS 1                  | <i>Amendment to IFRS 1 – First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 – Disclosures for First-time Adopters</i> | Annual periods commencing on or after 1 January 2010  |
| IAS 24                  | <i>Related Party Disclosures (revised 2009)</i>   | Annual periods commencing on or after 1 January 2011  |

| Standard/interpretation |   | Effective date                                       |
|-------------------------|---|--|
| IFRC 14, IAS 19         | <i>Amendments to IFRIC 14, IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction</i> | Annual periods commencing on or after 1 January 2011 |
| IFRS 9                  | <i>Financial Instruments</i>  | Annual periods commencing on or after 1 January 2013 |
| Various                 | <i>Improvements to IFRS 2010 – various standards</i>  | Annual periods commencing on or after 1 January 2011 |

All applicable standards will be complied with in the financial statements of the period ending 31 December 2011. Compliance with these amendments; revisions and improvements require additional disclosure compared to that required in terms of existing IFRS.

### 2.3 Basis of preparation

The financial statements are presented in South African Rand rounded to the nearest thousand. They are prepared on the historical costs basis, except for the revaluation of the building and fair value of investments classified as available-for-sale. The accounting policies below have been applied consistently by Group entities.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period, or in the period of the revision and future periods if the revision affects both current and future periods (refer to note 25).

### 2.4 Basis for consolidation

The consolidated financial statements incorporate the financial statements of the Institute and entities controlled by the Institute up to 31 December each year. Control is achieved where the Institute has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

Intra-group balances and transactions, and any unrealised gains from intra-group transactions, are eliminated in preparing the consolidated financial statements.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 2. ACCOUNTING POLICIES (continued)

### 2.5 Jointly controlled operation

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Investments in jointly controlled entities are accounted for using the proportionate consolidation method and are recognised initially at cost.

### 2.6 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. The land and building are subsequently carried at a revalued amount, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed annually by management and every three years by professional valuers, such that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. The excess of the revalued amount over the original cost is reflected as a revaluation reserve.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve. A decrease in the carrying amount arising on the revaluation of such land and buildings is debited to the revaluation reserve to the extent of any previous revaluations of that asset in equity before recognition in the income statement.

The realised portion of the revaluation reserve is transferred to accumulated reserves. An annual transfer from the revaluation reserve to accumulated reserves is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to accumulated reserves.

Other items of plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year-end.

Depreciation is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives. Land is not depreciated as it is deemed to have an indefinite life. Where an item of property, plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of property, plant and equipment.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

The major categories of assets are depreciated at the following rates:

|                     |                            |
|---------------------|----------------------------|
| Building            | – 5,0% per annum           |
| Building components | – 10,0% to 33,3% per annum |
| Motor vehicles      | – 25,0% per annum          |
| Office furniture    | – 7,5% to 10,0% per annum  |
| Computer equipment  | – 33,3% per annum          |

## 2.7 Intangible assets

Intangible assets that are acquired and have finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of amortisation are reviewed, and adjusted if appropriate, at each financial year-end.

Amortisation is recognised in the statement of comprehensive income and is provided on the straight-line basis which, it is estimated, will reduce the carrying amount of the assets to their residual values at the end of their useful lives.

Intangible assets are amortised at the following rates:

|                       |                |
|-----------------------|----------------|
| Intellectual property | – 2 to 5 years |
| Software              | – 2 to 5 years |

## 2.8 Impairment

The carrying amounts of the Group's tangible and intangible assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the greater of its fair value less cost to sell and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 2. ACCOUNTING POLICIES (continued)

### 2.8 Impairment (continued)

For an asset that does not generate cash inflows that are largely independent from those of other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the statement of comprehensive income whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

### 2.9 Inventories

Inventories are stated at the lower of historical cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any selling expenses. The cost of inventories is based on the weighted average principal and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### 2.10 Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instruments. They are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. They are subsequently measured as follows:

#### 2.10.1 Trade receivables

Trade receivables are stated at their amortised cost and reduced by appropriate allowances for estimated irrecoverable amounts. The fair value of trade and other receivables is the present value of future cashflows, discounted at the market rate of interest at the reporting date.

#### 2.10.2 Investments

Investments held by the Group are classified as being available-for-sale and are stated at fair value, with any resultant gain or loss being recognised directly in equity. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the balance sheet date.

#### 2.10.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts, all of which are available for use by the Group. Cash and cash equivalents are measured at fair value.

#### 2.10.4 Trade payables

Trade payables are stated at their amortised cost using the effective interest rate method.

### 2.11 Post-retirement obligations

The Institute provides benefits to employees through a defined benefit plan and a defined contribution plan in terms of the Pension Funds Act, 1956 (Act 24 of 1956). The pension plans are funded by payments from employees and the Institute, taking account of the recommendations of independent actuaries.

Obligations arising from the defined contribution plan are recognised as an expense when they are due.

For the defined benefit plan, the pension accounting costs are assessed using the Projected Unit Credit Method. Under this method, the cost of providing pensions is charged to the statement of comprehensive income to spread the regular cost over the service period of employees in accordance with the advice of actuaries who carry out a full valuation of the fund every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on government bonds that have terms to maturity approximating the terms of the related liability. When the calculation results in a benefit for the Group, the recognised asset is limited to the net total of any unrecognised past service cost and the present value of any future refunds from the plan or reductions from future contributions to the plan.

Any actuarial gain or loss is recognised in other comprehensive income when it occurs.

### 2.12 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

Provision for employee entitlement to annual leave represents the present obligation which SAICA has to pay as a result of employees' services provided to the balance sheet date. The provision has been calculated at undiscounted amounts based on current salary rates.

### 2.13 Provisions

Provisions are recognised for a present legal or constructive obligation when, as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

### 2.14 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable or received for services provided, net of discounts and VAT and where there is reasonable assurance that the income will be received and all attaching conditions will be complied with.

Revenue from subscriptions and training is accounted for when received.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 2. ACCOUNTING POLICIES (continued)

### 2.14 Revenue recognition (continued)

Education grants and donations are accounted for when they are received. Where there are attaching conditions, grants and donations are accounted for when there is reasonable assurance that the grants and donation will be received and all attaching conditions will be complied with. Grants and donations consist of monetary and non-monetary awards. Funding proposals are approved prior to education upliftment projects being delivered.

Donations consist of monetary and non-monetary awards.

Revenue comprises net invoiced sales to customers excluding VAT and other non-operating income. Sales are recognised when significant risks and rewards of ownership are transferred to the buyer, costs can be measured reliably and receipt of the future economic benefits is probable. Revenue also includes enterprise development income, investments and donations, which is recognised on receipt of the investment or donation.

In these financial statements, surplus is used instead of profit as the Group is not profit driven, yet could generate surplus revenue over cost.

For AAT(SA), revenue is recognised to the extent that it is probable that the economic benefits will flow to the association and the revenue can be reliably measured. Project revenue is measured on a percentage of completion basis.

### 2.15 Accounting for leases

Leases for assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease after taking into account any fixed escalation clauses.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The leased asset is capitalised and a liability raised. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

### 2.16 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the SAICA Group entities at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are re-translated to the functional currency at the rate of exchange ruling at that date. Gains and losses arising on translation are recognised in the statement of comprehensive income.

### 2.17 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 2.17.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Groups' liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### 2.17.2 Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### 2.18 Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividends received and gains on day one recognition of an external interest free loan.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

### 2.19 Finance cost

Finance cost comprises interest expense on finance leases. All interest is recognised in the statement of comprehensive income using the effective interest rate method.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 3. PROPERTY, PLANT AND EQUIPMENT

### 3.1 Group

|   | Land<br>R'000 | Buildings<br>R'000 | Leased<br>assets<br>R'000 | Motor<br>vehicles<br>R'000 | Office<br>furniture<br>and<br>computer<br>equipment<br>R'000 | Total<br>R'000 |
|---|---------------|--------------------|---------------------------|----------------------------|--|----------------|
| <b>2010</b>                                     |               |                    |                           |                            |  |                |
| Cost / valuation at<br>1 January 2010           | 3 010         | 27 975             | –                         | 121                        | 13 290   | 44 396         |
| Additions                                       | –             | 3 082              | –                         | –                          | 4 829  | 7 911          |
| Disposals                                       | –             | –                  | –                         | –                          | (812)  | (812)          |
| Revaluation                                     | 2 142         | 8 703              | –                         | –                          | –  | 10 845         |
| Cost / valuation at<br>31 December 2010         | 5 152         | 39 760             | –                         | 121                        | 17 307   | 62 340         |
| Accumulated depreciation<br>at 1 January 2010   | –             | (4 646)            | –                         | (81)                       | (6 697)  | (11 424)       |
| Depreciation charge                             | –             | (1 668)            | –                         | (30)                       | (2 042)  | (3 740)        |
| Disposals                                       | –             | –                  | –                         | –                          | 707  | 707            |
| Accumulated depreciation<br>at 31 December 2010 | –             | (6 314)            | –                         | (111)                      | (8 032)  | (14 457)       |
| <b>Carrying amount at<br/>31 December 2010</b>  | <b>5 152</b>  | <b>33 446</b>      | <b>–</b>                  | <b>10</b>                  | <b>9 275</b>   | <b>47 883</b>  |
| <b>2009</b>                                     |               |                    |                           |                            |  |                |
| Cost / valuation at<br>1 January 2009           | 1 851         | 17 709             | 2 240                     | 121                        | 11 573   | 33 494         |
| Additions                                       | 1 159         | 10 266             | 708                       | –                          | 1 475  | 13 608         |
| Disposals                                       | –             | –                  | (2 113)                   | –                          | (593)  | (2 706)        |
| Re-classification                               | –             | –                  | (835)                     | –                          | 835  | –              |
| Cost / valuation at<br>31 December 2009         | 3 010         | 27 975             | –                         | 121                        | 13 290   | 44 396         |
| Accumulated depreciation<br>at 1 January 2009   | –             | (3 858)            | (1 768)                   | (51)                       | (5 746)  | (11 423)       |
| Depreciation charge                             | –             | (788)              | (205)                     | (30)                       | (1 507)  | (2 530)        |
| Disposals                                       | –             | –                  | 1 973                     | –                          | 556  | 2 529          |
| Accumulated depreciation<br>at 31 December 2009 | –             | (4 646)            | –                         | (81)                       | (6 697)  | (11 424)       |
| Carrying amount<br>at 31 December 2009          | 3 010         | 23 329             | –                         | 40                         | 6 593  | 32 972         |

### 3. PROPERTY, PLANT AND EQUIPMENT (continued)

#### 3.2 Institute

|   | Land<br>R'000 | Buildings<br>R'000 | Leased<br>assets<br>R'000 | Motor<br>vehicles<br>R'000 | Office<br>furniture<br>and<br>computer<br>equipment<br>R'000 | Total<br>R'000 |
|---|---------------|--------------------|---------------------------|----------------------------|--|----------------|
| <b>2010</b>                                     |               |                    |                           |                            |  |                |
| Cost / valuation at<br>1 January 2010           | 3 010         | 27 975             | –                         | 121                        | 12 906   | 44 012         |
| Additions                                       | –             | 3 082              | –                         | –                          | 4 454  | 7 536          |
| Disposals                                       | –             | –                  | –                         | –                          | (812)  | (812)          |
| Revaluation                                     | 2 142         | 8 703              | –                         | –                          | –  | 10 845         |
| Cost / valuation<br>at 31 December 2010         | 5 152         | 39 760             | –                         | 121                        | 16 548   | 61 581         |
| Accumulated depreciation<br>at 1 January 2010   | –             | (4 646)            | –                         | (81)                       | (6 508)  | (11 235)       |
| Depreciation charge                             | –             | (1 668)            | –                         | (30)                       | (1 928)  | (3 626)        |
| Disposals                                       | –             | –                  | –                         | –                          | 707  | 707            |
| Accumulated depreciation<br>at 31 December 2010 | –             | (6 314)            | –                         | (111)                      | (7 729)  | (14 154)       |
| <b>Carrying amount at<br/>31 December 2010</b>  | <b>5 152</b>  | <b>33 446</b>      | <b>–</b>                  | <b>10</b>                  | <b>8 819</b>   | <b>47 427</b>  |
| <b>2009</b>                                     |               |                    |                           |                            |  |                |
| Cost / valuation at<br>1 January 2009           | 1 851         | 17 709             | 2 240                     | 121                        | 11 280   | 33 201         |
| Additions                                       | 1 159         | 10 266             | 708                       | –                          | 1 368  | 13 501         |
| Disposals                                       | –             | –                  | (2 113)                   | –                          | (577)  | (2 690)        |
| Re-classification                               | –             | –                  | (835)                     | –                          | 835  | –              |
| Cost / valuation<br>at 31 December 2009         | 3 010         | 27 975             | –                         | 121                        | 12 906   | 44 012         |
| Accumulated depreciation<br>at 1 January 2009   | –             | (3 858)            | (1 768)                   | (51)                       | (5 606)  | (11 283)       |
| Depreciation charge                             | –             | (788)              | (205)                     | (30)                       | (1 451)  | (2 474)        |
| Disposals                                       | –             | –                  | 1 973                     | –                          | 549  | 2 522          |
| Accumulated depreciation<br>at 31 December 2009 | –             | (4 646)            | –                         | (81)                       | (6 508)  | (11 235)       |
| Carrying amount<br>at 31 December 2009          | 3 010         | 23 329             | –                         | 40                         | 6 398  | 32 777         |

#### 3.3 Loss on disposal of property, plant and equipment

|                         | Group         |               | Institute     |               |
|-------------------------|---------------|---------------|---------------|---------------|
|                         | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| Proceeds on disposal    | 44            | 51            | 44            | 44            |
| Carrying value          | (105)         | (177)         | (105)         | (168)         |
| <b>Loss on disposal</b> | <b>(61)</b>   | <b>(126)</b>  | <b>(61)</b>   | <b>(121)</b>  |



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 3. PROPERTY, PLANT AND EQUIPMENT (continued)

### 3.4 Land and buildings

Land and buildings consist of an office block, Integritas, erected in 1990 on Portion 14 (a portion of portion 1) and portion 13 (a portion of portion 1) of erf 201, 7 Zulberg Close, Bruma Lake, Johannesburg. An additional office block, Maneo (renamed Integritas II) (remaining extent portion of erf 201, Bruma) was purchased for R10 800 000 during 2009, the transfer of which was effective January 2010. The estimated useful life of both the buildings is estimated at 20 years from re-occupation date or transfer date. The re-occupation date of Integritas was 1 April 2003 and the transfer date of Integritas II was 1 January 2010.

### 3.5 Valuation

The Integritas office block and the Maneo office block, were valued at R25 300 000 and R13 298 000, respectively as at 31 December 2010 on an open market value basis by "Alfa Valuations CC", a firm of independent chartered valuation surveyors and registered valuers. The valuation was based on the assumption of a single tenant scenario occupying a special purpose building using a capitalisation rate of 9,5% in order to convert the first year's annual income to a capital value. In undertaking both of the valuations, cognisance was taken of the location of the property both in the context of its immediate environment and with regard to its position in terms of access to and from surrounding areas and major freeways.

| Group and Institute   |               |                    |               |                   |
|---|---------------|--------------------|---------------|-------------------|
|   | 2010          |                    | 2009          |                   |
|   | Land<br>R'000 | Buildings<br>R'000 | Land<br>R'000 | Building<br>R'000 |
| <b>3.6 If land and buildings were stated at historical cost, the amounts would be as follows:</b> |               |                    |               |                   |
| Cost  | 3 010         | 21 635             | 1 851         | 11 369            |
| Additions   | –             | 3 082              | 1 159         | 10 266            |
| Disposals   | –             | –                  | –             | –                 |
| Accumulated depreciation  | –             | (4 840)            | –             | (3 451)           |
|   | <b>3 010</b>  | <b>19 877</b>      | 3 010         | 18 184            |

| Group and Institute                        |                   |                                   |                |                   |                                   |                |
|--|-------------------|-----------------------------------|----------------|-------------------|-----------------------------------|----------------|
|  | 2010              |                                   |                | 2009              |                                   |                |
|  | Software<br>R'000 | Intellectual<br>property<br>R'000 | Total<br>R'000 | Software<br>R'000 | Intellectual<br>property<br>R'000 | Total<br>R'000 |
| <b>4. INTANGIBLE ASSETS</b>                |                   |                                   |                |                   |                                   |                |
| <b>Software</b>                            |                   |                                   |                |                   |                                   |                |
| Cost at 1 January                          | 12 753            | –                                 | 12 753         | 5 234             | –                                 | 5 234          |
| Additions                                  | 3 630             | 881                               | 4 511          | 7 519             | –                                 | 7 519          |
| Cost at 31 December                        | 16 383            | 881                               | 17 264         | 12 753            | –                                 | 12 753         |
| Accumulated amortisation<br>at 1 January   | (3 358)           | –                                 | (3 358)        | (1 340)           | –                                 | (1 340)        |
| Amortisation charge                        | (2 646)           | –                                 | (2 646)        | (2 018)           | –                                 | (2 018)        |
| Accumulated amortisation<br>at 31 December | (6 004)           | –                                 | (6 004)        | (3 358)           | –                                 | (3 358)        |
| Work-in-progress                           | 362               | –                                 | 362            | 743               | –                                 | 743            |
| <b>Carrying amount<br/>at 31 December</b>  | <b>10 741</b>     | <b>881</b>                        | <b>11 622</b>  | <b>10 138</b>     | <b>–</b>                          | <b>10 138</b>  |

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>5. INVESTMENTS</b>   |               |               |               |               |
| Available-for-sale investments  | 3 821         | 3 383         | 3 821         | 3 383         |
| Investments consist of funds invested in shares in JSE listed entities. A register of investments is kept and is available upon request. The investments are reflected at market value. |               |               |               |               |
| Increase in fair value  | 438           | 638           | 438           | 638           |
| <b>6. INVESTMENT IN JOINT VENTURE</b>   | –             | –             | 914           | 914           |

The Association for Accounting Technicians (South Africa), (AAT(SA)) was registered on 7 October 2008. The principal activities of the company are to provide qualifications and act as a member organisation for accounting technicians, and to regulate and support, in the public interest, the technical competence and professional standards of those persons. SAICA has a 50% share in the Association for Accounting Technicians (SA). The investment in the joint venture has not been impaired due to the positive net asset position and profits generated in AAT(SA) in the current period.

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>7. INVESTMENT IN CONTROLLED ENTITY</b> |               |               |               |               |
| – Investment in The Hope Factory          | –             | –             | 1 286         | 1 286         |
|   | –             | –             | 1 286         | 1 286         |

The investment in the controlled entity has not been impaired due to the positive net asset position and profits generated in The Hope Factory.

|                                    | Group         |               | Institute     |               |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>8. INVENTORIES</b>              |               |               |               |               |
| Promotional items and publications | 1 294         | 291           | 1 279         | 291           |
| Raw materials                      | 125           | 88            | –             | –             |
|                                    | 1 419         | 379           | 1 279         | 291           |

Promotional items relate to books and DVD's that the Group holds for resale.

Raw materials comprise stock on hand at year-end at The Hope Factory located in Port Elizabeth in the Eastern Cape.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>9. TRADE AND OTHER RECEIVABLES</b>         |               |               |               |               |
| Trade receivables                             | 3 393         | 9 405         | 912           | 830           |
| – Gross trade receivables                     | 4 579         | 10 809        | 2 092         | 2 095         |
| – Impairment                                  | (1 186)       | (1 404)       | (1 180)       | (1 265)       |
| Other receivables                             | 8 280         | 9 329         | 2 650         | 3 497         |
| – Gross other receivables                     | 8 280         | 10 939        | 2 650         | 5 107         |
| – Impairment                                  | –             | (1 610)       | –             | (1 610)       |
| Revenue to be billed                          | 2 119         | 987           | –             | –             |
| Prepayments                                   | 1 942         | 2 040         | 1 820         | 1 985         |
| AAT(SA) loan                                  | 1 222         | 406           | 2 445         | 812           |
| Advance to Thuthuka Education Upliftment Fund | –             | –             | 2 503         | 2 679         |
|   | <b>16 956</b> | <b>22 167</b> | <b>10 330</b> | <b>9 803</b>  |

The average credit period is less than 30 days. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management.

The carrying amount of trade and other receivables approximates their fair value.

The advance to the Thuthuka Education Upliftment Fund is interest free and repayable on demand.

The AAT(SA) loan is interest free with no repayment terms.

Included in trade and other receivables is R75 263 (2009: R65 594) foreign debtors relating to SAICA(UK). Foreign currency risk is detailed in note 21.9.

Revenue to be billed consists of AAT(SA) project revenue recognised on the percentage of completion basis at the period end not yet billed to funders.

## 10. CASH AND CASH EQUIVALENTS

|                          |                |               |               |               |
|--------------------------|----------------|---------------|---------------|---------------|
| Cash at bank and on hand | 32 271         | 13 104        | 20 182        | 9 388         |
| Call deposits            | 16 239         | 43 210        | 16 239        | 43 210        |
| Term deposits            | 58 569         | 13 640        | 58 569        | 13 640        |
|                          | <b>107 079</b> | <b>69 954</b> | <b>94 990</b> | <b>66 238</b> |

Cash and cash equivalents comprise cash held and short-term bank deposits with an original maturity of 12 months or less. The carrying amount of these assets approximates their fair value. The effective interest rates on call and term deposits for the year was 6,52% (2009: 6,75%).

## 11. LOANS AND BORROWINGS

|  |       |     |   |   |
|--|-------|-----|---|---|
|  | 1 130 | 973 | – | – |
|--|-------|-----|---|---|

The loan from Nedbank was granted to The Hope Factory on 6 May 2008. The loan is interest free and there is no obligation to repay the loan for the first 360 days of the term which extends for a period of five years. At the end of this initial period of 360 days, the parties will meet to assess the ability of the borrower to repay the loan over the remaining term. If The Hope Factory is not in a position to repay the loan or if it is mutually agreed to extend the initial period, the repayment shall be deferred for another second term of 360 days. If The Hope Factory is not in a position to repay the loan or if at the end of the second term the repayment shall be deferred for another third term of 360 days. Management believes that the loan will not be repaid until the end of the five-year term and hence present valued the loan of R1 600 000 based on the above assumption using an appropriate discount rate of 15% in 2008, resulting in an initial gain of R840 691 recognised in 2008 in finance income. This is being amortised over the five-year period, resulting in a finance expense of R156 488 for the year ended 31 December 2010. Refer to note 17.

## 12. RESERVES

### Revaluation reserve

The revaluation reserve relates to the revaluation of land and buildings.

### Pension fund reserve

The reserve relates to funds accumulated in excess of future benefit obligations.

### SAICA Education Fund reserve

The role of the fund is to raise finance for the maintenance and development of standards of education and training for chartered accountants. The fund is overseen by a committee appointed by the Board. All funds collected are disbursed in accordance with regulations approved by the SAICA Board.

### Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised.

### The Thuthuka Bursary Fund

The Thuthuka Bursary Fund is registered in terms of The Trust Property Control Act, No. 57 of 1988, Trust Number: T459/88. The funds of the trust are regulated by its own board. Its activities are funded by various donors and aims to assist underprivileged learners in becoming Chartered Accountants (SA).

### Association for Accounting Technicians (SA) – AAT(SA)

AAT(SA) is a joint venture between the Institute and AAT in the United Kingdom. The principal activities of the company are to provide qualifications and act as a member organisation for accounting technicians, and to regulate and support, in the public interest, the technical competence and professional standards of those persons. AAT(SA) is an association incorporated under section 21 of the Companies Act.

### The Hope Factory

The Hope Factory is an association not for gain under section 21 of the Companies Act. The funds of the company are regulated by its own Board. These funds are used to empower disadvantaged individuals with the skills required to become self sufficient through effective enterprise development.

### Thuthuka Education Upliftment Fund

The Thuthuka Education Upliftment Fund is a section 21 company. The principal activities of the company are to establish and maintain structures for carrying out and promoting skills-development activities that will contribute to changing the membership demographics of the chartered accountancy profession with the ultimate aim that the membership of the profession will reflect South Africa's population demographics.

Donations and grants consist of monetary and non-monetary awards. Funding proposals are approved prior to the education upliftment projects being delivered. Funding companies will only reimburse SAICA on the presentation of a valid invoice, therefore there will never be a surplus or deficit on any Thuthuka Upliftment Education Fund project.

---



# Notes to the annual financial statements continued

for the year ended 31 December 2010

|                                     | Group         |               | Institute     |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>13. TRADE AND OTHER PAYABLES</b> |               |               |               |               |
| Creditors and accruals              | 40 403        | 37 718        | 33 303        | 27 584        |
| Subscriptions in advance            | 33 300        | 18 145        | 33 300        | 18 145        |
| Revenue received in advance         | 11 139        | 9 373         | 9 542         | 6 397         |
| The Thuthuka Bursary Fund           | –             | –             | 5 833         | 4 747         |
| The Hope Factory                    | –             | –             | 3 215         | 3 627         |
|                                     | <b>84 843</b> | 65 236        | <b>85 193</b> | 60 500        |

Creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken is less than 60 days. The carrying amounts approximate fair value.

Included in creditors and accruals is an accrual for leave pay. Employees' entitlement to annual leave is recognised when it accrues to employees. A provision is made for the estimated liability for annual leave due as a result of services rendered by employees up to balance sheet date, with a maximum of 35 days per employee.

Revenue received in advance consists of various revenue items such as examination fees, trainee registration fees, seminars income, future project and bursary income.

Included in trade and other payables is R277 855 (2009: R317 890) foreign creditors relating to SAICA (UK). Foreign currency risk is detailed in note 21.9.

The Thuthuka Bursary Fund and The Hope Factory amount of R5 833 274 and R3 215 122, respectively, are funds held and invested on behalf of the respective entities (see note 23).

|  | Group          |               | Institute      |               |
|--|----------------|---------------|----------------|---------------|
|  | 2010<br>R'000  | 2009<br>R'000 | 2010<br>R'000  | 2009<br>R'000 |
| <b>14. REVENUE</b>   |                |               |                |               |
| Subscriptions and members' entrance fees                   | 106 321        | 91 663        | 105 398        | 91 124        |
| Members' entrance fees                                     | 11 174         | 9 470         | 11 174         | 9 470         |
| Chartered Accountant (South Africa) subscriptions          | 92 483         | 79 709        | 92 483         | 79 709        |
| Associate subscriptions                                    | 2 664          | 2 484         | 1 741          | 1 945         |
| Accountancy SA journal                                     | 5 384          | 5 511         | 5 384          | 5 511         |
| Bursary donations  | 24 552         | 25 101        | –              | –             |
| Funding for Thuthuka projects (includes Government grants) | 40 965         | 55 372        | –              | –             |
| Publications   | 5 474          | 4 158         | 5 474          | 4 158         |
| SAICA Education Fund levies                                | 20 170         | 19 059        | 20 170         | 19 059        |
| Seminars and events  | 32 205         | 33 134        | 32 205         | 33 134        |
| Sponsorships   | 4 146          | 4 504         | 4 146          | 4 504         |
| The Hope Factory revenue                                   | 13 073         | 7 239         | –              | –             |
| Thuthuka Education Upliftment Fund project management fee  | –              | –             | 124            | 783           |
| Professional development – pre-qualification               | 18 039         | 16 424        | 18 039         | 16 424        |
| Municipality project                                       | 10 551         | 13 336        | 10 551         | 13 336        |
| AAT(SA) Project revenue                                    | 11 999         | 7 226         | –              | –             |
| Total revenue for the year                                 | <b>292 879</b> | 282 727       | <b>201 491</b> | 188 033       |

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>15. EXPENDITURE</b>  |               |               |               |               |
| Expenditure includes the following items:                                     |               |               |               |               |
| Audit fees – external   | 1 275         | 1 171         | 1 103         | 843           |
| Audit fees – internal   | 1 061         | 994           | 1 061         | 994           |
| Audit fees – other services   | 17            | 22            | 17            | 22            |
| Information technology  | 6 942         | 6 484         | 6 891         | 6 484         |
| Depreciation  | 3 740         | 2 530         | 3 626         | 2 474         |
| Amortisation of intangible assets   | 2 646         | 2 018         | 2 646         | 2 018         |
| Employment costs  | 82 954        | 80 644        | 77 077        | 75 808        |
| – Salaries and staff related costs (includes management committee emoluments) | 77 036        | 75 479        | 71 159        | 70 643        |
| – Pension fund contributions  | 5 918         | 5 165         | 5 918         | 5 165         |
| Impairment raised/(reversed)  | (803)         | 1 751         | (798)         | 1 030         |
| – Investment in subsidiary/advance to controlled entity                       | –             | –             | –             | (582)         |
| – Trade and other receivables   | (803)         | 1 751         | (798)         | 1 612         |
| IFAC subscriptions  | 767           | 925           | 767           | 925           |
| Legal fees  | 526           | 219           | 518           | 215           |
| Marketing and advertising costs   | 11 109        | 6 951         | 9 331         | 5 476         |
| Rental and occupancy costs  | 1 384         | 1 165         | 962           | 780           |
| Postage, printing and stationery  | 2 516         | 2 280         | 2 397         | 2 209         |
| SAICA Education Fund  | 20 266        | 18 086        | 20 266        | 18 086        |
| Travel – local  | 6 091         | 2 211         | 6 007         | 2 190         |
| Municipality project  | 10 551        | 13 336        | 10 551        | 13 336        |
| Thuthuka bursaries  | 35 148        | 38 644        | –             | –             |
| Thuthuka project costs  | 4 539         | 11 443        | –             | –             |
| Thuthuka service provider costs   | 16 680        | 21 093        | –             | –             |
| Thuthuka teaching and training materials                                      | 4 613         | 8 701         | –             | –             |
| <b>16. FINANCE INCOME</b>   |               |               |               |               |
| Finance income earned on cash balances  | 5 823         | 5 515         | 5 336         | 4 872         |
| Finance income – other  | –             | 136           | –             | –             |
|   | 5 823         | 5 651         | 5 336         | 4 872         |
| <b>17. FINANCE EXPENSE</b>  |               |               |               |               |
| Finance costs – Nedbank loan  | 157           | 135           | –             | –             |
| Finance cost – other  | 270           | 167           | –             | –             |
|   | 427           | 302           | –             | –             |

The interest rate risk is detailed in note 21.4



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 18. TAXATION

### 18.1 Tax expense

The income of the Institute, Thuthuka Bursary Fund, Thuthuka Education Upliftment Fund, The Hope Factory and Association of Accounting Technicians (SA) are exempt from income tax in terms of Income Tax Act, No. 58 of 1962 (the Act). Donations by or to the Institute, Thuthuka Bursary Fund, The Hope Factory and Thuthuka Education Upliftment Fund are exempt from donations tax in terms of section 56(1)(h) of the Act. The Hope Factory and AAT(SA) obtained Public Benefit Organisation status in 2010 and are no longer liable for tax. The deferred tax asset has been reversed in the current financial year. SAICA(UK), an entity incorporated in the United Kingdom has an accumulated tax loss of R122 551 (2009: R109 989). No deferred tax asset has been raised in respect of SAICA(UK). The tax payable balance relates to the 2009 assessable income tax for the Hope Factory. The tax payable will be reversed once the 2009 assessment is received, indicating the retrospective application of the income tax exemption received in 2010.

|   | Group         |               |
|---|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 |
| <b>Current tax expense</b>                                    |               |               |
| Current period  | –             | 128           |
| Adjustment in respect of prior periods                        | –             | –             |
|   | –             | 128           |
| <b>Deferred tax expense (credit)</b>                          |               |               |
| Origination and reversal of temporary differences             | (24)          | 158           |
| Recognition of previously unrecognised tax losses             | –             | (182)         |
|   | (24)          | (24)          |
| Tax (reversal)/expense  | (24)          | 104           |
| <b>Reconciliation of effective tax rate</b>                   | <b>%</b>      | <b>%</b>      |
| Standard rate of taxation                                     | 28,00         | 28,00         |
| Disallowable expenditure                                      | 0,00          | 1,08          |
| Prior year overprovision                                      | 0,00          | (4,34)        |
| Exemption status obtained                                     | (27,85)       | 0,00          |
| Exempt income   | 0,00          | (22,21)       |
| Current year's charge as a percent of surplus before taxation | 0,15          | 2,53          |

|   | Group         |               |
|---|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 |
| <b>18.2 Deferred taxation</b>                             |               |               |
| Deferred tax asset  | –             | 24            |
| Reconciliation of deferred tax asset                      |               |               |
| Balance at 1 January                                      | –             | –             |
| Originating and deductible temporary difference           | –             | (158)         |
| Recognition of previously unrecognised deferred tax asset | –             | 182           |
| Reversal of asset due to exemption status                 | (24)          | –             |
|   | –             | 24            |
| Deferred tax comprises:                                   |               |               |
| Capital allowances  | –             | (7)           |
| Provisions  | –             | 31            |
|   | –             | 24            |

|  | 2010            |                          |                | 2009            |                          |                |
|--|-----------------|--------------------------|----------------|-----------------|--------------------------|----------------|
|  | Salary<br>R'000 | Pension<br>Fund<br>R'000 | Total<br>R'000 | Salary<br>R'000 | Pension<br>Fund<br>R'000 | Total<br>R'000 |
| <b>19. REMUNERATION OF MANAGEMENT COMMITTEE MEMBERS</b>                  |                 |                          |                |                 |                          |                |
| M Matlwa (2009: 11 months)<br>Chief Executive Officer                    | 4 047           | –                        | 4 047          | 3 168           | –                        | 3 168          |
| IS Schoole<br>Executive President  | –               | –                        | –              | 1 123           | –                        | 1 123          |
| GV Terry<br>Head: Office of the Executive<br>President                   | 1 840           | 208                      | 2 048          | 1 787           | 195                      | 1 982          |
| WJ Coates<br>Senior Executive: Marketing                                 | 1 063           | 131                      | 1 194          | 1 002           | 122                      | 1 124          |
| L Mconi (2009: six months)<br>Senior Executive: Member<br>Services       | 1 065           | 156                      | 1 221          | 428             | 48                       | 476            |
| N Buthelezi (2009: three<br>months) Senior Executive:<br>Human Resources | 468             | 82                       | 550            | 117             | 14                       | 131            |
| CC Mulder<br>Senior Executive:<br>Transformation and Growth              | 1 385           | 148                      | 1 533          | 1 361           | 137                      | 1 498          |
| E Muller<br>Senior Executive: Standards                                  | 1 111           | 171                      | 1 282          | 1 023           | 164                      | 1 187          |
| NA Wade<br>Chief Operating Officer                                       | 1 637           | 205                      | 1 842          | 1 496           | 186                      | 1 682          |
| M Naidoo<br>Company Secretary  | 1 118           | 111                      | 1 229          | 1 034           | 103                      | 1 137          |
| R Beekun<br>Chief Information Officer                                    | 1 108           | 147                      | 1 255          | 1 013           | 133                      | 1 146          |
| M Olivier<br>Senior Executive: Education<br>and Training                 | 1 090           | 105                      | 1 195          | –               | –                        | –              |

The Management Committee members are considered key management of the Institute and Group, with remuneration paid solely by SAICA. Board members of SAICA, the Thuthuka Education Upliftment Fund, the Thuthuka Bursary Fund, the Hope Factory and the Association for Accounting Technicians (SA) do not receive remuneration for services rendered.

In the current and prior year a provision for senior management incentives was raised. This is included in trade and other payables in note 13 and is R1 931 524(2009: R1 700 479).



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 20. LEASING ARRANGEMENTS

### 20.1 Operating lease arrangements

Lease payments made under operating leases during the year were R1 384 235 (2009: R1 164 786) and R961 669 (2009: R780 462) for the Group and Institute, respectively. At the balance sheet date the outstanding commitments under various operating leases fall due as follows:

|                 | Future<br>minimum<br>payments<br>R'000 | Accruals<br>R'000 | Future<br>expense<br>R'000 |
|-----------------|--|-------------------|----------------------------|
| <b>Company</b>  |  |                   |                            |
| <b>2010</b>     |  |                   |                            |
| Within one year | 749                                    | (14)              | 735                        |
| 2 – 5 years     | 1 075                                  | (103)             | 972                        |
|                 | <b>1 824</b>                           | <b>(117)</b>      | <b>1 707</b>               |
| <b>Group</b>    |  |                   |                            |
| <b>2010</b>     |  |                   |                            |
| Within one year | 1 170                                  | 10                | 1 180                      |
| 2 – 5 years     | 1 878                                  | (139)             | 1 739                      |
|                 | <b>3 048</b>                           | <b>(129)</b>      | <b>2 919</b>               |

The lease commitments are in respect of office premises for the Central, Eastern and Southern Regions of SAICA and The Hope Factory. The company does not have an option to acquire the building at the termination of the leases. There are escalation clauses in each lease.

## 21. FINANCIAL INSTRUMENTS

### 21.1 Financial risk management objectives

The Group's risk management committee monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The use of financial derivatives is governed by the Group's policies approved by the Board, which provide written principles on foreign exchange risk, interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The internal audit function reports quarterly to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

### 21.2 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 2.9 to the financial statements.

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| <b>21.3 Categories of financial instruments</b>             |               |               |               |               |
| <b>Financial assets</b>                                     |               |               |               |               |
| Loans and receivables (including cash and cash equivalents) | 124 035       | 92 121        | 105 320       | 76 041        |
| Available-for-sale financial assets                         | 3 821         | 3 383         | 3 821         | 3 383         |
| <b>Financial liabilities</b>                                |               |               |               |               |
| Trade and other payables                                    | 84 842        | 65 236        | 85 193        | 60 500        |
| Long-term loan  | 1 130         | 973           | –             | –             |

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.4 Interest rate risk

The Group's activities do not expose it to the financial risks of changes in interest rates.

### 21.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

SAICA utilises only investment grade banks within South Africa as per the Fitch Rating Scale. Not more than 1% of the total bank's equity is invested with any one institution. The funds are spread across the banks.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

|  | Group         |               | Institute     |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| The ageing of trade and other receivables at the reporting date was: |               |               |               |               |
| Not past due   | 9 241         | 15 805        | 2 650         | 4 021         |
| 60 days  | 961           | 368           | 912           | 306           |
| 90 days  | 1 471         | 2 561         | –             | –             |
| Gross receivable   | 2 657         | 5 575         | 1 180         | 2 875         |
| Impairment   | (1 186)       | (3 014)       | (1 180)       | (2 875)       |
| Total (excluding inter-group advances)                               | 11 673        | 18 734        | 3 562         | 4 327         |
| Impairment of trade and other receivables                            |               |               |               |               |
| Opening balance  | 3 014         | 1 263         | 2 875         | 1 263         |
| Amount written off   | (1 025)       | –             | (897)         | –             |
| Impairment (reversed)/raised   | (803)         | 1 751         | (798)         | 1 612         |
| Closing balance  | 1 186         | 3 014         | 1 180         | 2 875         |

Based on past experience, the Group believes that no provision for doubtful debt is necessary in respect of trade receivables outstanding for less than 60 days.

### 21.6 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### 21.7 Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 11 and 13, cash and cash equivalents and reserves as disclosed in note 10 and the statement of changes in reserves respectively. The Group's contractual cash flows related to operating leases as disclosed shown in note 20.1. The cash flows related to trade and other payables are less than six months.



# Notes to the annual financial statements continued

for the year ended 31 December 2010

## 21. FINANCIAL INSTRUMENTS (continued)

### 21.7 Capital risk management

The gearing percentage at the year-end was:

|   | Group         |               | Institute     |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>R'000 | 2009<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
| Debt including long-term loan   | 41 533        | 38 691        | 33 303        | 27 584        |
| Cash and cash equivalents   | 107 079       | 69 954        | 94 990        | 66 238        |
| Net cash  | 65 546        | 31 263        | 61 687        | 38 654        |
| Equity  | 102 680       | 72 680        | 86 476        | 64 330        |
| Debt to equity percentage (%)   | 40            | 53            | 39            | 43            |
| The ageing of payables and accruals at the reporting date was (excluding long-term loan): |               |               |               |               |
| Not past due  | 37 518        | 31 361        | 30 431        | 26 552        |
| 60 days   | 2 885         | 6 357         | 2 872         | 1 032         |
| Total (excluding inter-group payables)  | 40 403        | 37 718        | 33 303        | 27 584        |

### 21.8 Market risk

*Available for-sale-investments sensitivity analysis*

A 100 point increase in the ALSI index at reporting date will have increased equity by R11 898 (2009: increase R10 560). An equal change in the opposite direction will have decreased equity by the same amount.

### 21.9 Foreign currency risk

The district SAICA(UK) included in the Institutes results, undertakes transactions denominated in British pounds sterling. Exposure is mainly attributable to trade and other receivables, cash and cash equivalents and trade and other payables balances at year-end. There are no open forward cover contracts and the exchange rate used was as follows:

|               |       |        |
|---------------|-------|--------|
| Average rate  | £1,00 | R10,28 |
| Year-end rate | £1,00 | R10,31 |

## 22. POST-EMPLOYMENT BENEFITS

### Pension benefits

The Institute provides pension benefits to employees through The SAICA Staff Pension Fund which is subject to the Pension Funds Act. The fund has both a defined contribution and defined benefit section.

#### Defined contribution section

All employees joining SAICA after 31 December 1998 become members of the defined contribution section. The contributions to the defined contribution section which are recognised as an expense for the year amounted to R5 918 347 (2009: R5 164 568).

#### Defined benefit section

There are currently four (2009: four) members in the defined benefit section (four pensioners). An actuarial valuation was done as at 31 December 2010 using the Projected Unit Credit Method.

The results of the actuarial valuation at 31 December 2010 are:

#### Disclosure in the financial statements

|                                 | 2010<br>R'000 | 2009<br>R'000 |
|---------------------------------|---------------|---------------|
| Balance sheet                   |               |               |
| Present value of the obligation | (973)         | (871)         |
| Fair value of plan assets       | 2 705         | 2 626         |
|                                 | 1 732         | 1 755         |

|   | 2010<br>R'000 | 2009<br>R'000 |
|---|---------------|---------------|
| <b>22. POST-EMPLOYMENT BENEFITS (continued)</b>                 |               |               |
| <b>Movement in present value of defined benefit obligations</b> |               |               |
| <b>Benefit obligation opening</b>                               | <b>871</b>    | 910           |
| Service cost  | –             |               |
| Interest cost   | 75            | 62            |
| Actuarial loss  | 141           | 8             |
| Less benefits paid  | (114)         | (109)         |
| <b>Benefit obligation closing</b>                               | <b>973</b>    | 871           |
| <b>Change in fund assets over the valuation period</b>          |               |               |
| Fund assets at beginning of year                                | 2 626         | 2 451         |
| Plus expected return on assets                                  | 236           | 175           |
| Actuarial gain/(loss)   | (43)          | 109           |
| Less benefits paid  | (114)         | (109)         |
| <b>Fund assets at end of year</b>                               | <b>2 705</b>  | 2 626         |
| <b>Periodic cost</b>  |               |               |
| Interest cost   | 75            | 62            |
| Expected return on assets                                       | (175)         | (175)         |
|   | (100)         | (113)         |
| <b>Statement of recognised income and expenditure</b>           |               |               |
| Actuarial gains recognised                                      | (184)         | (214)         |
| Effect of asset limit   | 184           | 101           |
| <b>Net pension fund reserve</b>                                 | <b>–</b>      | (113)         |
| <b>Reconciliation of unrecognised gain and losses</b>           |               |               |
| Unrecognised gain/(loss) at beginning of year                   | –             |               |
| Actuarial loss over current year                                | (184)         | (214)         |
| Recognised actuarial gain in SCI                                | 184           | 214           |
| <b>Unrecognised gain/(loss) at end of year</b>                  | <b>–</b>      | –             |
|   | <b>2010</b>   | 2009          |
|   | <b>%</b>      | <b>%</b>      |
| <b>Actuarial assumptions</b>                                    |               |               |
| Discount rate**   | 8,50          | 9,20          |
| Expected return rate on plan assets***                          | 6,50          | 9,20          |
| Future salary increase  | *             | *             |
| Future pension increases  | 5,30          | 5,30          |
| Inflation rate  | 5,30          | 5,30          |

\* As the fund no longer has active members, salary increases are no longer relevant for the fund.

\*\* In terms of IAS 19, the discount rate should be set with reference to the yields obtainable on corporate bonds, provided a deep enough market exists. The discount rate as at 31 December 2010 has been set with reference to the yields available on long-dated government bonds (R186) at that date. This is consistent with methodology applied in deriving the 2009 valuation assumptions.

\*\*\* The assets are fully invested in cash and it was deemed reasonable to use the same 6,5% adopted as the discount rate



# Notes to the annual financial statements continued

for the year ended 31 December 2010

|   | 2010           | 2009           | 2008           | 2007           | 2006           |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>22. POST-EMPLOYMENT BENEFITS (continued)</b> |                |                |                |                |                |
| <b>Historical information</b>                   |                |                |                |                |                |
| Assets at the end of the year                   | (2 705)        | (2 626)        | (2 451)        | (2 405)        | (2 795)        |
| Liabilities at the end of the year              | 973            | 871            | 910            | 983            | 1 503          |
| <b>Funded status at end of year</b>             | <b>(1 732)</b> | <b>(1 755)</b> | <b>(1 541)</b> | <b>(1 422)</b> | <b>(1 292)</b> |
| Losses through experience                       | (99)           | (8)            | (4)            | (45)           | –              |
| Gains/(losses) through assumptions              | (42)           | –              | 35             | (27)           | –              |
| <b>(Loss)/gain on liabilities</b>               | <b>(141)</b>   | <b>(8)</b>     | <b>31</b>      | <b>(72)</b>    | <b>–</b>       |
| <b>Gains/(losses) on plan assets</b>            | <b>(43)</b>    | <b>109</b>     | <b>(29)</b>    | <b>127</b>     | <b>332</b>     |

## 23. RELATED PARTIES

### Key management personnel

Key management personnel have been defined in note 19. Remuneration of key management personnel is also reflected in note 19.

### The Thuthuka Bursary Fund

The Thuthuka Bursary Fund assists underprivileged learners in becoming Chartered Accountants (SA). The funds of the trust are managed by SAICA in accordance with a management agreement with the trustees that took effect on 1 January 2004. Funds are repayable on demand at zero percent interest. Security has not been taken against the funds managed. The trust is included in the Group's figures in this annual report. SAICA also bears the cost of administering the trust of R1 753 073 (2009: R1 187 087). At year-end the amount owed by SAICA to the trust was R5 833 274 (2009: R4 747 176) (see note 13).

### The SAICA Staff Pension Fund

The SAICA Staff Pension Fund provides pension benefits for its employees through a defined benefit and defined contribution pension plan in terms of the Pensions Fund Act (see note 22).

### Thuthuka Education Upliftment Fund

The Thuthuka Education Upliftment Fund is a section 21 company. Its main business is to establish and maintain structures or carrying out and promoting skills development activities. In terms of the memorandum and articles, the company is controlled by SAICA. SAICA has five of the eight seats on the board of directors and the project manager is also a representative of SAICA. The funds of the company are controlled and managed by SAICA. Thuthuka is included in the Group results in this annual report. During the year SAICA charged Thuthuka a project management fee of R124 160 (2009: R778 262) as a partial contribution to SAICA's costs, while SAICA also provides temporary funding for projects until funds are received from donors. SAICA bears the costs of administering the fund to the value of R2 792 313 (2009: R1 549 838). At year-end the amount owed to SAICA by Thuthuka was R2 503 314 (2009: R2 678 919) (see note 9).

### The Hope Factory

The Hope Factory is a section 21 company which was started with the sole purpose of developing skills and creating jobs. The company is controlled by SAICA and three seats on the board of directors are occupied by SAICA personnel. The results of The Hope Factory are included in the Group results in this annual report. At year-end the amount owed to SAICA by The Hope Factory was R1 285 902 (2009: R1 285 902) (see note 7). The management committee and Board of SAICA are key management to the company but do not receive compensation from this company. The funds of The Hope Factory are managed by SAICA. Funds earn market-related interest and the amount owed by SAICA to The Hope Factory at year-end is R3 215 151 (2009: R 3 627 010) (see note 13).

### Association for Accounting Technicians

AAT(SA) was registered on 7 October 2008. The principal activities of the company are to provide qualifications and act as a member organisation for accounting technicians, and to regulate and support, in the public interest, the technical competence and professional standards of those persons. SAICA has a fifty percent share of the joint venture named Association for Accounting Technicians (SA). For the current year, SAICA with AAT(UK), contributed Rnil (2009: Rnil). See note 6 and 9 for information on amounts due to and from AAT(SA) and AAT(UK). At year-end the amount owed to SAICA by AAT(SA) amounted to R2 444 516 (2009: R812 000).

## 24. CONSOLIDATION

Group information includes SAICA (the Institute), the Thuthuka Education Upliftment Fund, the Thuthuka Bursary Fund, The Hope Factory and the Association for Accounting Technicians (SA) (AAT(SA)). All controlled entities are 100% held except AAT(SA) which is a 50% joint venture with AAT(UK). As these entities do not have share capital, the investment is recorded at Rnil (2009: Rnil) for all except AAT(SA) (see note 6) and The Hope Factory (see note 7).

|   | 2010<br>R'000 | 2009<br>R'000 |
|---|---------------|---------------|
| The surplus/(deficit) for the controlled entities was as follows: |               |               |
| Thuthuka Education Upliftment Fund                                | 2 844         | –             |
| The Thuthuka Bursary Fund   | 1 094         | 112           |
| The Hope Factory  | 3 591         | 860           |
| Association for Accounting Technicians (SA)                       | 429           | 183           |

## 25. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### Recoverability of trade receivables

Management identifies impaired receivables on a continuing basis. The identification is based on the ageing of receivables as well as on a case-by-case basis.

### Defined benefit from surplus apportionment

A key source of uncertainty exists and relates to the liabilities of the benefit funds of related assets due to the surplus apportionment in terms of the Pension Funds Act which has yet to be finalised and approved. Details relating to the current surpluses and deficits are included in note 22.

### Provision for impairment of inventory

Where items of raw materials are no longer deemed fit for use, they will be considered for write off by management.

## 26. GUARANTEES

The Institute has a guarantees in place with Standard Bank in favour of the South African Post Office Limited for bulk postage to the value of R150 000 (expiry date 1 January 2030). The institute also has guarantees in place with Nedbank for bulk postage to the value of R250 000 and for an additional overdraft for the value of R291 388.

## 27. CONTINGENT LIABILITY

Subsequent to year end and before the issue of these financial statements, The Hope Factory was assessed for the 2009 tax year for an amount of R262 920 due to the South African Revenue Services (SARS). As indicated in note 18.1, an amount of R128 000 was raised in 2009 and has remained as a liability on the balance sheet. No adjustment was made for the assessment received as management is seeking clarification from SARS as to whether the PBO status obtained in July 2010 applies retrospectively.



# Notice of the SAICA Annual General Meeting

The Annual General Meeting (AGM) of the members of the South African Institute of Chartered Accountants (SAICA) will be held in Gauteng at the Southern Sun Grayston, corner Grayston and Rivonia Roads, Sandton (in the Bryanston 1 & 2 rooms), on 26 May 2011 at 09:00.

The following business will be transacted:

- The consideration of the annual financial statements of the Institute for the year ended 31 December 2010
- The consideration of a report by the Chief Executive Officer
- The consideration of a report by the auditors
- The reappointment of KPMG as the auditors

Due and proper notice will be provided of the aforementioned meeting via the following means:

1. Electronic mail – if you are registered on our database as a member capable of accepting communications from SAICA in this manner
2. Post – if you are registered on our database as a member unable to accept communication from SAICA in electronic format (e-mail)

Proxy forms will be available on the SAICA website: ([www.saica.co.za](http://www.saica.co.za)) from 29 April 2011, and mailed to those referred to in item no. 2 above.

Completed proxies must reach the registered office of SAICA at 7 Zulberg Close, Bruma Lake, Johannesburg; or PO Box 59875, Kengray 2100; or faxed to +27 11 621 6799, no later than 09:00 on Tuesday, 24 May 2011, 48 hours before the time appointed for the AGM and must be addressed to:

**Jenny Baker**

Legal and Governance Unit

The South African Institute of Chartered Accountants

7 Zulberg Close

Bruma Lake

Johannesburg

2198

Facsimile +27 11 621 6799

If you do not receive the notification and proxy forms timeously, please contact the SAICA Call Centre for assistance at 0861 07 2 422 or +27 11 621 6600 or e-mail [jennyb@saica.co.za](mailto:jennyb@saica.co.za)

Issued by:

**Melanie Naidoo**

*Senior Executive: Legal and Governance*

*The South African Institute of Chartered Accountants*



# Notes to the proxy form

- (a) Every member of the Institute who is not in arrears in payment of his annual subscription or any contribution or charge payable by him/her to the Institute shall be entitled to be present in person or by proxy at an Annual General Meeting.
- (b) Without a SAICA membership number this proxy form is not valid.
- (c) The delivery of a duly completed proxy form shall not preclude any member or his/her duly authorised representative from attending the Annual General Meeting and speaking and voting thereat instead of the proxy.
- (d) The chairman of the Annual General Meeting may reject a form of proxy which is completed and/or received other than in accordance with these notes.
- (e) Any alteration to this proxy form, other than a deletion of alternatives, must be initialled by the signatory.
- (f) In order to be effective, proxy forms must be faxed to +27 11 621 6799; or emailed to [jennyb@saica.co.za](mailto:jennyb@saica.co.za), or must be delivered or posted to the Company Secretary, SAICA, Integritas 7 Zulberg Close, Bruma Lake; PO Box 59875, Kengray, 2100; so as to reach this address not later than 09:00 on Tuesday, 24 May 2011, 48 hours before the time appointed for the Annual General Meeting.
- (g) Membership numbers may be obtained from the most recent subscription invoices posted to members, SAICA membership certificates or contact the membership department via SAICA's contact centre on 0861 072 422 or +27 11 621 6600.





[www.saica.co.za](http://www.saica.co.za)

Telephone: +27 11 621 6600

7 Zulberg Close

Bruma Lake

2198