



SAICA GROUP AGM

**Member questions before the AGM – 31
May 2024**

Dear member,

The following questions were raised by members before the AGM, set to take place on 31 May 2024. All answers were given by the relevant executives, and answers have been grouped according to the new strategic pillars.

ACCELERATED MEMBER VALUE

1. How is SAICA supporting and facilitating ongoing professional development, mentorship, and networking opportunities to enhance AGAs(SA)' career growth, visibility and contributing effectively to the accounting profession's advancement?

AGAs can access the same learning and development opportunities as CA(SA) members. Therefore, AGAs can register for all the post-qualifying learning opportunities that SAICA offers to all members and associates, including the webinars hosted by SAICA and the current mentorship programmes offered by SAICA.

It is important to note that in elevating the importance of all three of SAICA's designations, SAICA has set up three separate professional development committees to ensure that the development of each designation receives the proper attention. These committees are the CA Professional Development Committee (CAPDC), the AGA Professional Development Committee and the AT Professional Development Committee. The Chairs of these committees are also members of the overall Initial Professional Development (IPD) Committee that reports to the SAICA Board through the Board's Education and Assessment Committee.

2. Please discuss whether SAICA will act against the NHI bill?

SAICA's National Tax Committee has had an interim discussion with regards to the economic feasibility of the proposed NHI. At this point, the merits of the system from an economic perspective are being considered. SAICA management will deliberate around potential costings and revenue collections and the potential impact on both the SAICA membership and the fiscus going forward. At this stage, more clarity is needed from government and SAICA will track this in consultation with both the Board and the membership.

3. What is SAICA's strategy to increase market access or new lines of work for members in SMP?

SAICA's strategy to increase market access and new lines of work for SMP members focuses on equipping them with the knowledge and tools to win new business and strategically manage their practices. Here's a breakdown of initiatives:

- **Practice Management Workshops:** Specific topics like "Winning new business" led by industry experts. These workshops offer practical guidance on how SMP members can grow their client base. Members can access the [eVolve](#) and [Events](#) platforms on the website for more information.
- **Strategic Planning:** The PUM – Strategic & Succession planning by specialists from the Netherlands – equips SMP members with the knowledge and tools for creating a long-term vision for their practices, including finding new business opportunities. PUM looks to



empower SMPs with skills that they can transfer to their clients to ensure sustainability of their businesses and thereby ensuring continued business for members.

- **Content Creation:** SAICA launched the [SAICABiz Podcast](#) in 2023, which features AGA, AT, and CA specialists who share their valuable business knowledge and provide guidance on the specific services they can offer to attract new clients.

Overall, SAICA's strategy aims to empower SMP members to become more competitive and find new market opportunities. SAICA will continue creating content specifically aimed at SMPs and we are looking at areas where there could be an opportunity for SMPs such as assurance for the listed entities following the changes in JSE regulations, sustainability reporting

4. **How is SAICA supporting members who are entrepreneurs or who have their own SMEs?**

In 2023 SAICA hosted an event where members who are entrepreneurs shared their journey of entrepreneurship, what they had learnt and wished they had known when starting out and they also shared advice with members wanting to transition to entrepreneurship.

In addition, SAICA has created a variety of resources that are of relevance to entrepreneurs. These resources include educational materials, workshops, and mentorship programmes.

The SAICABiz Podcast, which was mentioned under question 3 above, is a source of valuable information for entrepreneurs. Podcasts offer a convenient way to learn and stay updated on industry trends and best practices while commuting or working on other tasks.

SAICA fosters connections among its members through discussion groups, informal meetings, and business breakfasts. These events provide opportunities for our members, including entrepreneurs, to network, share experiences, and learn from each other.

Maintaining a continuous relationship with regulators ensures that SAICA's voice is heard on issues that affect entrepreneurs. This advocacy work can help create a more favourable regulatory environment for small businesses.

All information related to SMEs, can be found on the [SAICA website](#).

ATTRACTIVENESS AND TRANSFORMATION

5. **Are there any plans for racial balance at SAICA and how they intend to solve the issue of low pass rates for black candidates at SAICA?**

With regards to the pass rates for African candidates, SAICA has conducted several research studies to understand the root causes of the differential pass rates. These studies include the independent review that was concluded about two years ago and the independent research that was concluded in November 2023.

SAICA further set up the ITC and APC working groups to look at key aspects coming from the independent review. The ITC working group has concluded its work and has put forward changes to the ITC exam that have now been approved by the SAICA Board. Members are encouraged to look out for communication in this regard. The APC working group has recently completed its work and this is still in discussion with the Chartered Accountants Professional Development Committee (CAPDC).

While these projects are underway, SAICA has also raised funding to assist candidates who are repeating the ITC and the APC to ensure that they improve their chances of success in the ITC and the APC.

Further to this, SAICA, through its accreditation and monitoring processes, is engaging with academic providers where SAICA believes there are areas that require attention.

6. Is SAICA still a relevant body to drive transformation in the accounting field? What mechanisms have we put in place to deal with the regression?

SAICA believes that transformation, which is aimed at ensuring diversity, equity and inclusion in the accountancy profession remains a national and global imperative. The elevation of transformation at SAICA is further evidenced by the naming of one of the key strategic pillars in the Corporate Strategy for 2024-2028 as 'Attractiveness and Transformation'.

Therefore, as it relates to the profession, SAICA believes that it cannot simply leave transformation to others, and we must play an active role in transforming the demographics of its membership group.

To this end, SAICA runs several initiatives from a school level up to the CA(SA) level (what SAICA generally refers to as the cradle to career model). At a school level, these initiatives include promoting the importance of mathematics. At a university level, through the Thuthuka Education Upliftment Fund (TEUF), SAICA runs a bursary programme funding students who wish to become CAs(SA).

Because African and Coloured people are not well represented (when compared to the EAP sectoral targets) in the CA register, the TEUF bursary funds deserving African and Coloured students who wish to be CAs(SA).

At a Trainee level, SAICA runs initiatives such as the ITC and APC repeat programmes. It is important to note that while transformation requires time and patience, the CA member register is starting to show the results of these transformations initiatives, especially relating to members under the age of 35.

It is further important to note that, although there are initiatives for transformation of the profession, the growth of the profession is addressed in an inclusive manner.

7. What does SAICA do to empower black students who will eventually be interested in becoming CAs(SA) and how has progress in this regard been tracked?

As mentioned in the earlier answer, SAICA runs several initiatives from a school level up to the CA level (what SAICA generally refers to as the cradle to career model).

At a school level, these initiatives include promoting the importance of mathematics. This is done through various programmes such as the successful winter maths development camps that are run across the country, helping learners in mathematics, accounting and other gateway subjects. Success in this regard is tracked through engagements with the provincial Department of Basic Education as they are then able to share results of the learners who have attended SAICA initiatives. SAICA, in partnership with the provincial Departments of Education, also funds the TEUF bursary to the top performers in Grade 12 from the various provinces.

At a university level, through the TEUF, SAICA runs a bursary programme funding students who wish to become CAs. SAICA provides added support to these students, including added academic support and making available several platforms for psychosocial support. In addition to providing the bursary, SAICA also provides support to university students who are not on the TEUF programme. Results at the universities are clearly tracked through the student performance outcomes.

8. Has SAICA considered assisting teachers in public schools with training on the fundamentals of accounting?

SAICA does not only focus on learners at school, but also on educators. SAICA runs several Economic Management Sciences Educator programmes. SAICA also partners with several universities in running its Accounting Educator Development Programmes in several provinces. SAICA has further partnered with the South African Maths Foundation for its Maths Educator Development Programmes.

9. Has the board considered appointing a SAICA Youth Committee which will mainly be responsible for driving education of the youth in the less fortunate communities, particularly those who struggle with accounting?

As mentioned in earlier answers, SAICA runs several initiatives from a school level up to the CA level (which SAICA generally refers to as the cradle to career model). SAICA places great reliance on partnership models, including contribution by its members. Young professionals are contributing to several initiatives in this regard, including:

- Funding – several young professionals who include both SAICA members and non-members, have come together to help raise funding for SAICA's initiatives.
- Thuthuka Alumni – The Thuthuka Alumni have also come together to assist in the SAICA education programmes. This includes not only promoting SAICA initiatives but also getting involved in the school and university level initiatives.
- #GearUp4Thuthuka – Through this initiative SAICA profiles and promotes Thuthuka in a fun way through sports, arts and culture. SAICA has profiled Thuthuka in exciting events such as the Cape Town Marathon, Soweto Marathon, New York Marathon and had some of SAICA's members climb Mount Kilimanjaro to raise funding and awareness of Thuthuka. SAICA has also partnered with Run Zone, a running club in Johannesburg, to help SAICA with running events and increase participation. This initiative has seen several young professionals raise funds for Thuthuka.

So, there is good involvement of young people in the SAICA initiatives, however there is scope for further inclusion in our various committees and we are exploring this. SAICA's members are also involved in the SAICA camps as camp leaders and motivational speakers. SAICA welcomes members who wish to contribute to this initiative. More information can be found on the [SAICA website](#).

10. What role is the institute playing in preparing for the role/impact of AI in the likely reduction of first-year trainees by audit firms?

The SAICA competency framework (CA of the Future) has deliberately included "digital acumen" as one of the key areas that prospective CAs(SA) need to develop, both in terms of knowledge and skills. This is currently being implemented in the academic programme and must further be developed and assessed in the training programme. SAICA has not started to see the introduction of AI/digital technologies as reducing the number of trainees in the training contract, on the contrary, we see an ongoing demand for CAs(SA) from all firms. However, we are monitoring the trends in various firms as the introduction of AI will affect firms differently.

11. With SAICA now accrediting international firms as Training Offices, the "good candidate" population that remains in SA is becoming smaller. How does SAICA foresee the SA firms attracting and competing with international markets?

Indeed, SAICA has accredited international offices, but it is important to note that there has not been an accreditation of an international office in the last few years and the Board has confirmed that there should be no further accreditation of firms outside of South Africa. The transitional

provisions for phasing out the international firms' accreditation are under consideration. We have also taken note of the recent development in the UK Immigration Rules that was published in March 2024, which directly affects international training firms. Key to understand is that the number of trainees completing their training programme abroad is exceedingly small compared to the total number of trainees who still are in South Africa.

Globally, SAICA is still extremely competitive; this is evidenced by the recent Edelman Trust survey that ranked both SAICA and the CA designation as the number 1 most trusted institute and designation in the world. This is largely supported by the strength of SAICA's processes. SAICA plays a role in several international structures such as IFAC and the GAA, and therefore SAICA can continuously measure its standing globally through the several platforms where best practices are shared.

Therefore, despite the foreseen changes, we believe that there is great scope for our members to participate globally post-qualification and continued collaboration is encouraged within international firms to grant trainees international exposure that they seek pre-qualification. The accountancy profession's skills are scarce in South Africa, and it is important for SAICA not to be perceived to directly facilitate the skills migration.

ECONOMIC AND SOCIAL RELEVANCE

- 12. Are we going to see more visibility of the new SAICA CEO, at least where the SAICA base is, audit firms? Are we going to hear her talking about the proposed fines against external audit partners? It would be great to hear her views published in national media. I think that for the first black woman CEO she is not given sufficient coverage in the larger media.**

SAICA implements an integrated marketing and communications strategy every year. SAICA's communications team did a campaign in 2023, when Ms Stock was first appointed, and since her tenure started on 1 December 2023, she has been featured in various print and broadcast media interviews, including eNCA, News 24, and SAfm.

Since the announcement of her appointment as the new SAICA CEO, she has garnered 32 media exposures to the advertising value equivalent of R1,1 million.

Going forward, we will continue with key stakeholder engagements to ensure she is adequately featured in the media, along with SAICA's other good news stories.

- 13. How can disciplinary investigations, hearings and sanctions be sped up to minimise brand damage and the reduction in the value of our qualification?**

SAICA regularly reviews the disciplinary processes in the Disciplinary Code and By-laws to enhance efficiency. The Discipline Unit will also recruit short-term added assistance to address the current backlog of cases.

Access to reliable evidence and witnesses remains critical to the successful prosecution of disciplinary cases and SAICA, as a voluntary body with no powers of subpoena, relies on the complainants; parallel processes by courts and regulators as well as willing third parties to obtain suitable evidence in order to secure successful finalisation of cases before the independent disciplinary committees.

SAICA finalised 190 cases from January to December 2023 and this included a public hearing before the Disciplinary Committee, referred to SAICA by the Zondo Commission and which ran over several months of hearing.

The conclusion of disciplinary cases is one of the strategic focus areas.

14. Please give an update on the Trainee matters

The update on the complaint on the simulation breach is as follows: As of 15 May 2024, there are 26 of the 81 Training Office Trainee misconduct matters that need to be finalised. The following data can be shared in this regard:

Trainee Misconduct Cases from one Training Office	Total cases reported	Finalised cases	On-going cases
Status as of 15 May 2024			
Number of Complaints referred to SAICA to date	81		
Number of complaints withdrawn by Complainant		2	
Number of complaints finalised as of 15 May 2024		53	
Complaints ready for next PCC hearing			5
Awaiting Trainee response/analysing new responses from Trainees			13
Awaiting more information			1
Part-heard case			1
To send out Notices of Complaint			6
Totals	81	55	26

15. What is the Board’s view on the current state of the economy when the majority of newly qualified CAs(SA) are unemployed?

According to our statistics the number of unemployed CAs(SA) is not in the majority of all CAs(SA).

South Africa's economy faces many challenges and opportunities that significantly affect the accountancy profession. These were also considered in formulating our strategy for 2024 -2028. The economy is characterised by slow growth, high unemployment, persistent inequality, and a volatile business environment. Some factors affecting the accountancy profession are matters such as the slow economic growth since our GDP growth rate has been sluggish, with structural issues such as energy shortages, climate change impact and its related regulatory requirements, infrastructure challenges, labour market rigidities, and some policy uncertainties hindering faster economic expansion. With unemployment rates persistently high, consumer spending is constrained, affecting overall economic activity and business revenues, which in turn affects various sectors. Inflationary pressures and relatively high interest rates impact business costs and consumer purchasing power, influencing financial planning and forecasting, which also affects us.

The opportunity that the economic uncertainty brings is the increased demand for strategic advisory services. Accountants are increasingly required to provide insights on risk management, business restructuring, financial planning and a global shift to the demand for sustainability advisory and assurance.

The evolving regulatory environment necessitates rigorous compliance and reporting standards. Accountants must stay updated with changes in tax laws, financial and non-financial reporting standards, and other regulatory requirements.

The adoption of digital tools and automation in accounting processes is accelerating. Accountants must adapt to modern technologies such as AI, blockchain, and cloud computing to enhance efficiency and accuracy of which the profession is not necessarily moving at the same pace.

The profession requires continuous upskilling to keep up with changes in the economic and technological landscape and the focus on sustainability. SAICA plays a crucial role in providing training and we are investigating the provision of certification programmes in some of the critical skills demand areas. With increasing focus on Environmental, Social, and Governance (ESG) practices and reporting, accountants are expected to integrate sustainability reporting into their practices, providing stakeholders with comprehensive insights into a company's environmental and social impact.

We believe that our members should position themselves as strategic advisors, helping businesses navigate economic uncertainties and leverage opportunities for growth. Furthermore, embracing technological innovations is essential to enhance service delivery and maintain competitive advantage. Ensuring compliance with regulatory standards and implementing robust risk and quality management frameworks (such as ISQM 1) are critical for maintaining trust and credibility. Continuous professional development and acquiring specialised skills in areas such as sustainability/ESG analysis; data analytics, and sustainability reporting are imperative for our members' continued economic and social relevance.

Through this strategic position our members can play a pivotal role in supporting businesses and contributing to economic stability and growth.

A WINNING ORGANISATION

16. Why does SAICA not have a specific vacancy for an AGA(SA) on the board?

The SAICA Constitution prescribes Board membership and does not currently provide for the appointment of an AGA(SA). This could however be reconsidered in the context of the Governance Review Programme.

17. I noted that almost all non-executive director candidates are currently either serving on at most three boards or are a part of 3 committees and even chairing some of those committees. In a crisis or clash, which board will take the highest priority or the lowest priority? In abnormal circumstances like state capture, which may require urgent attendance, there may be time commitment challenges. Congratulations to all those who were nominated and made it thus far.

Preference was given to candidates with sufficient board experience. During the interviews with candidates, the potential time constraints and availability to deal with SAICA matters were covered with the candidates and satisfying undertakings were obtained.

18. My question relates to the error corrected on the 2022 AFS for the 2023 AGM, which was never adequately communicated to the members. How will this communication be handled?

The matter was responded to at the AGM as recorded in the minutes of the meeting of the previous AGM, which has been communicated to the members as part of the notice of the 2024



AGM. The Minutes of the 2023 AGM can be found [here](#). We further engaged with external auditors on their view of the correction's impact and confirmed that the adjustment was not found to be material.

19. You did not attend to the AGM resolution as you should have.

The Resolution was tabled at the AGM that was held on 25 May 2023, and it suggested various actions to be taken including:

- Conduct a revised Strategic Input process;
- Request a review of the existing Risk Management Framework of SAICA to reduce red tape; and
- A Governance Review.

The Board did not hesitate to act on the resolution, and the first meeting to discuss the necessary steps was held on 6 June 2023. ([See the Board Digest](#) following the Board's meeting on 6 June 2023, which refers to all three topics above.) In communications, the chairperson of the Board also communicated the actions that would be taken to address the issues raised in the resolution.

It should be noted that the actions and processes required to address the first two items have been completely finalised and concluded. (See the Corporate [Strategy](#) and feedback from the Audit and Risk Committee).

Regarding the third aspect, the Governance review, the following information should be noted:

An external independent Governance Review Committee (GRC) was set up consisting of Mr Roy Andersen, the original Chairperson of the Governance Review Task Team, Prof Parmi Natesan and Mr Khaya Sithole.

The GRC identified the key role players and formulated an approach towards assessing and addressing the main aspects of the governance structure. This was done through an extensive review of supporting documents (Appendix B) and conducting interviews with key role players. The GRC analysed the data collected and consolidated a list of key findings. Finally, the GRC then developed the recommendations which are in the report.

The final report from the Governance Review Committee was received in March 2024. Although there were no significant findings, the extent and nature of procedures needed to inform this report is only fully understood when considering the outcome thereof. The recommendations of the GRC and suggestions by members of the Board will be implemented by management with the oversight of the Board and in consultation with Council.

20. Why has the discretionary proxy vote been removed?

Discretionary proxy voting was removed by the Board based on concerns raised by members during the 2023 AGM. Some members held the view that these proxies could be used to promote self-interest. Specific mention was made of the discretionary proxy votes given to the Chairperson. [See par 17.1.11 of the Minutes](#). The SAICA Constitution also does not require the use of discretionary proxy voting. The Board therefore acted in response to a member concern and within their legal rights and believe that the change strengthens good governance.

21. With the new CEO, are we to expect a refreshed or new strategy? Can we have feedback on the results of the strategy so far, has the strategy resulted in increased engagement

from SAICA members when it comes to SAICA? I used to work for SAICA and one of the key issues I noted was the lack of interest and engagement on the strategy by the larger population at SAICA. Therefore, they missed anything good that SAICA was doing for them, but only noted the not-so-great stuff.

The SAICA Corporate Strategy 2024 – 2028 was shared with members in the Board Digest of 10 May 2024, and it can also be found on the website [here](#). SAICA will continue engaging members on the new strategy in the coming months – members are encouraged to view our communications in this regard. The CEO has commenced engaging on the strategy with various constituencies and will continue with strategy engagement in various forms.

SAICA is committed to steering the accountancy profession towards a future where agility and responsiveness are at the forefront of our strategic approach. As we embarked on setting the strategic direction for 2024-2028, we committed to an agile approach, responsive to both global and local shifts that affect our sector. This strategy is our commitment to fostering a resilient and sustainable accountancy profession that not only thrives but also facilitates integrity and value creation within capital markets and across public and private sectors.

The formulation of our strategy was the result of collaborative efforts involving SAICA's management team (MANCO), the Board, and National Council, representing members' and associates' interests, alongside various stakeholders.

We thank all our members who responded to the call in 2023 for feedback and input to the new strategy.

QUESTIONS SPECIFIC TO THE ANNUAL FINANCIAL STATEMENTS

1. Note 5: Property and equipment

- a. The amount for acquiring the institute's property, plant, and equipment does not agree with the disclosure under note 5.
- b. The casting on notes 5 for fixed assets does not balance. For example, the opening balance of the office equipment was R 6 428 000, and R 24 000 was acquired. The closing balance is disclosed as R 6 451 000 when it should be R 6 452 000.
- c. The carry forward of the cost and accumulated depreciation of furniture and fittings as per the published financial statements for 2022 does not agree with the opening balances and comparative disclosures for the 2023 financial statements as per note 5.
- d. The amount for additions in the group for office equipment is R 23 000, and for the institute, it is R 24 000. How can the group acquire fewer assets than the institute? Should the institute not be consolidated in full?

The amounts are due to rounding differences that occurred when converting the notes from full numbers to R'000.

2. Note 6: Intangible Assets

- a. The amount for acquiring intangible assets does not agree with the disclosure under note 6.

- b. The depreciation and impairment as per notes 5 and 6 combined (R 28 579 000) for the group do not agree with the depreciation and amortization as per note 34 (R 28 580 000). This is also the case with the institute.**

Consistent with the comment above, the amounts referred to in (a) and (b) are due to rounding differences that occurred when converting the notes from full numbers to R'000.

- c. As per note 6, were R 25 726 000 of intangible assets developed internally? Were the requirements of IAS 38 considered? As per the disclosure on the WIP balance, all the assets were for software development. Was all of this (including SAGE VIP 300) developed internally by SAICA?**

The work in progress (WIP) on intangible is developed using external expertise/service provider and internal IT skills. The intangible asset was assessed in terms of IAS 38, where we considered the asset as identifiable non-monetary asset without physical substance for all current projects in WIP.

- d. There is no disclosure of the amount of WIP of intangible assets for the 2022 year. This is also where I highlighted one change to last year's presented financial statements.**

The amount for 2023 was provided as an additional narrative disclosure. The WIP account by its nature is a non-permanent class of asset as it is expected to be completed, and hence transferred to its respective asset class once completed. This is what the reconciliation note for both 2023 and the 2022 comparative depicts. Per the AFS, the 2023 WIP was assessed for possible impairment, and was concluded that no adjustment is required. The further breakdown of the table of the 2023 WIP (page 34 SAICA 2023 AFS) provides a narrative description of its closing balance for 2023 (We will indicate that it is "Other information").

Feedback on the prior year correction: The matter was responded to at the AGM as recorded in the minutes of the meeting of the previous AGM which has been communicated to the members as part of the notice of the AGM. We further engaged with external auditors on their view of the correction's impact and confirmed that in their assessment the adjustment was not material.

3. Note 10: Trade and Other Receivables

- a. The institute's VAT receivable amount, as per note 10.2 (R 2113 000), differs from the disclosure of non-financial assets, as per note 10.3 (R 2 112 000).**
- b. I found instances of grammar errors as per the accounting policy of trade receivables as per note 10.1**

The amounts are due to rounding differences that occurred when converting the notes from full numbers to R'000. Noted the comment regarding language errors this will be incorporated into enhancements to grammar checks as part of quality review process by management.

- c. The trade receivable balances as per note 10.2 (R 143 139 000 for the group and R 79 558 000 for the institute) differs from the ECL provision matrix as per note 10.4 (R 114 173 000 for the group and R 75 937 000 for the institute). The same with the comparative figures. This is also the same with sundry debtors.**

Trade and sundry debtors percentages of the probability of a loss changed year on year, with trade decreasing from prior year in the 120 days from 83,16% to 39,05% as the factors considered improved, whilst sundry percentages of the probability of a loss increased from prior year in the 120 days from 27,49% to 30,33%.



- d. The increase in trade receivables from R 37 946 000 to R 79 558 000 for the institute is quite significant, and then the Expected Credit Loss decreased. This is unexpected, seen in the light that the institute should invoice little in the last month of the year. This is also supported by the significant reduction in the weighted average expected credit loss as per note 10.4. For example, an ECL of 98.45% was provided on the institute for debtors outstanding longer than 120 days in 2022, and only 56.20% was provided in the year 2023. Even the outstanding amounts increased from R 17 324 000 to R 28 065 000 whilst it is disclosed that the quality of the overdue debtors has improved. This just seems very strange: the provision for credit loss and the expense provided for reduction.

The year-end trade receivables do not include member subscription billing but are other billings like exams, TCMS, commercial revenues and penalties to members.

The percentages of the probability of a loss decreased from prior year in the 120 days from 98,45% to 56,20% as the factors considered improved.

Outstanding trade receivables increased by R 54 952 000, and the ECL provision decreased by R 1 385 000. Some correlation is expected, but this is inverse to the expectation.

The percentages of the probability of a loss decreased from prior year in the 120 days from 98,45% to 56,20% as the factors considered improved.

4. Lease

- a. The short-term portion of lease liabilities (note 13) is not disclosed on the balance sheet and is included in the balance of trade and other payables as per note 15. It must be disclosed separately as per IFRS 16.

IAS 1 does not stipulate that the lease liability be specifically shown as a separate line item on the face of the Statement of Financial Position (SOFP). IFRS 16 further indicates that the lessee can present the lease liability either on the statement of financial position or in the notes. If presented within another line item on the face of the SOFP, then the entity must indicate in which line item it is included.

The extract of the accounting policy as adopted is outlined below:

13. LEASE LIABILITIES

13.1 ACCOUNTING POLICY

At inception of a contract, the Group assesses whether a contract is, or contains a lease.

The Group is a lessee of premises and is sub-leasing a portion thereof. Refer to note 20 for further information on rent received.

The term of the lease is determined as the non-cancellable period of the lease together with the period covered by an option to extend the lease and if there is certainty that these options will be exercised. These have been identified to be between three and ten years.

At inception, a right-of-use asset and a lease liability are recognised. The Group presents right-of-use assets in property and equipment, the non-current portion of lease liabilities separately and the current portion of lease liabilities in 'trade and other payables' in the statement of financial position. Details regarding the right-of-use-asset, the corresponding liability, depreciation and interest can therefore be found in notes 5 and 26 and in the statement of cashflows.

The consideration of IFRS 16 disclosure was as per Par 47, which indicates, a lessee shall either present in the statement of financial position or disclosed in the notes. The current lease liability

disclosure as part of current liabilities is an elective choice (b of par 47), which we have exercised year on year. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities (refer to point below). The disclosure is consistent with prior years.

Presentation

- 47 A lessee shall either present in the statement of financial position, or disclose in the notes:
- (a) right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee shall:
 - (i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
 - (ii) disclose which line items in the statement of financial position include those right-of-use assets.
 - (b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.

- b. Note 13: Lease Liabilities - The amount for finance cost as per note 13 and note 26 (R 4 220 000) does not agree with the amount disclosed on the cash flow statement (R 6 224 000). The variance of R 2 004 000 is disclosed as an adjustment to lease liabilities in the operating activities (note 34) of the cash flow statement. Also, one is disclosed in operating activities, and the other is disclosed in financing activities. Also, what adjustments can be made to lease liabilities that will increase your operating cash flow?**

Note 13 reflects the finance charges incurred (R4 220 000) after the lease adjustment made of R 2 004 000. The adjustment was necessitated to align the methodological differences between Auditors and management's calculations that arose in the calculation of the discounted value of the liability.

The cashflow statement shows the actual finance charges paid (R6 224 000). Par 17 of the standard allows the disclosure lease as part of Financing activities (note 17 (e) below)



Financing activities

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The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- (a) cash proceeds from issuing shares or other equity instruments;
- (b) cash payments to owners to acquire or redeem the entity's shares;
- (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;
- (d) cash repayments of amounts borrowed; and
- (e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease.

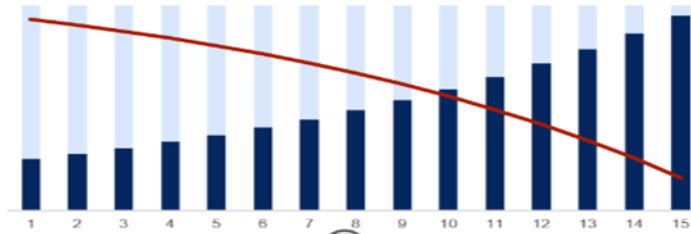
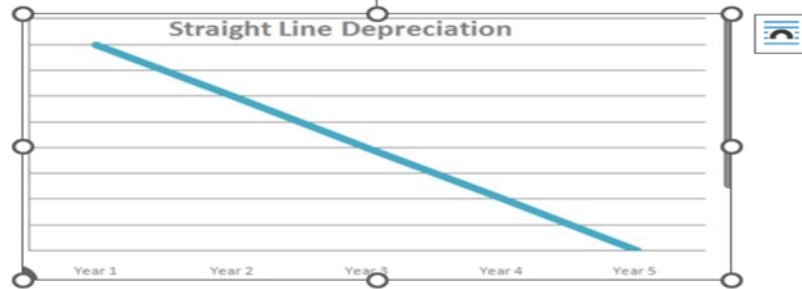
c. Note 13: Lease Liabilities short-term (working capital movement) - The amount of movement in trade payables as per note 34 does not agree with the movement of trade payables as per the balance sheet and note 15 due to including the short-term portion of lease liabilities.

The trade payables movement excludes the current portion of lease liability and other non-cash payables.

d. Note 13: Lease liabilities (relationship with right of use assets note 5) - The carrying value of the right-of-use assets is R 24 152 000 as per note 5, and the carrying value of the liabilities is R 49 069 000 as per note 13. What will be the reason that the carrying value is so much less than the liabilities if one should depreciate the assets over the term of the lease?

The liability is initially recognised at the PV of the future lease payments which = the Right of use assets at inception of the lease agreement. The ROU asset is subsequently depreciated using the straight-line method (i.e., in our example the annual depreciation was R13 mil).

The liability is subsequently increased by interest and reduced by the rental/lease payments (i.e. in a year). In the period post initial measurement there is significant difference between the loan and the ROU asset but as the lease nears its expiry date the liability and ROU approximate the same value so that both are zero at the end of the lease term (as depicted in the example graphs)

Loan Movement

Right of use asset Movement


- e. **The lease liability is currently presented as a financing liability, with interest adjusted within operating cash flow.**

Paragraph 50 of IFRS 16 is specific as to where the lease payments on an IFRS 16 lease liability is included. It states that the capital portion be included in financing activities and the interest portion in accordance with the IAS 7. The interest is disclosed in financing activities. In note 34 the interest on leases was adjusted out of operating activities as it formed part of the accounting P/L.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	GROUP		INSTITUTE	
		2023 R '000	2022 R '000	2023 R '000	2022 R '000
Net cash flows (used in) / from operations	34	(39,697)	17,872	(42,931)	31,630
Interest received	25	48,554	30,653	40,818	25,200
Income taxes paid		(1,626)	-	-	-
Net cash flows from / (used in) operating activities		7,231	48,525	(2,113)	56,830
Cash flows used in investing activities					
Proceeds from disposal of property and equipment	5	-	210	-	118
Acquisition of property and equipment	5	(2,500)	(3,200)	(2,296)	(2,913)
Acquisition of intangible assets	6	(25,727)	(10,617)	(25,727)	(10,617)
Cash flows used in investing activities		(28,227)	(13,607)	(28,023)	(13,412)
Cash flows used in financing activities					
Lease payments	13	(17,214)	(12,025)	(16,736)	(11,641)
Interest paid on lease liabilities	13	(6,224)	(8,082)	(6,143)	(7,948)
Cash flows used in financing activities		(23,438)	(20,107)	(22,879)	(19,589)
Net (decrease) / increase in cash and cash equivalents		(44,434)	14,811	(53,015)	23,829
Cash and Cash equivalents at beginning of the year		512,775	497,964	397,835	374,006
Cash and cash equivalents at end of the year	11	468,341	512,775	344,820	397,835

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Financing activities

The separate disclosure of cash flows arising from financing activities is important because it is useful in predicting claims on future cash flows by providers of capital to the entity. Examples of cash flows arising from financing activities are:

- (a) cash proceeds from issuing shares or other equity instruments;
- (b) cash payments to owners to acquire or redeem the entity's shares;
- (c) cash proceeds from issuing debentures, loans, notes, bonds, mortgages and other short-term or long-term borrowings;
- (d) cash repayments of amounts borrowed; and
- (e) cash payments by a lessee for the reduction of the outstanding liability relating to a lease.