ANNUAL FINANCIAL STATEMENTS

NPO Registration number – 020-050

SAICA
THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS
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CONTENTS

AUDITED FINANCIAL STATEMENTS

Prepared under the supervision of: Obrey Nekhavhambe CA(SA)

Professional designation: Chief Financial Officer

By Deon Watson AGA(SA)

Professional designation: Financial Manager: Reporting

Natasa Zecevic CA(SA), ACMA, CGMA

Professional designation: Financial Manager: Operations

Auditors: Mazars

GENERAL INFORMATION

Country of Incorporation and Domicile	South Africa
Registration Number	NPO 020-050
Nature of Business and Principal Activities	The principal activity of the Group and Institute is to serve the interests of the chartered accountancy profession and society by upholding professional standards, integrity and the pre-eminence of South African chartered accountants worldwide.
Board	Bekwa, B du Toit, J Forbes, Y (Lead Independent) Lamola, FL Lubbe, I Maluleke, T (Chairman) Matenche, R Nomvalo, SF Ramokhele, B Singer, M Stock, P Swanepoel, J
Registered Office	17 Fricker Road Illovo Johannesburg South Africa 2196
Postal Address	Private Bag X32 Northlands 2116
Bankers	Nedbank Ltd First National Bank Ltd Standard Bank Ltd
Tax Number	140000111
Level of Assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Auditors	Mazars 54 Glenhove Rd Melrose Estate Johannesburg 2196
Institute Secretary	J Snyman
Published Date	15 April 2021

BOARD RESPONSIBILITIES AND APPROVAL

The Board is required by the Companies Act 71 of 2008 to maintain adequate accounting records and is responsible for the content and integrity of the Group and Institute annual financial statements and related financial information included in this report. It is their responsibility to ensure that the Group and Institute annual financial statements satisfy the International Financial Reporting Standards and the Financial Reporting Pronouncement as issued by the Financial Reporting Council with regard to form and content and present fairly the Group and Institute's financial position, financial performance and cash flows at the end of the financial year. The Group and Institute annual financial statements are based upon appropriate accounting policies consistently applied throughout the Group and supported by reasonable and prudent judgements and estimates.

The South African Institute of Chartered Accountants (NPO) is referred to as the Institute and with the entities The Hope Factory NPC (THF), Thuthuka Education Upliftment Fund NPC (TEUF) and SAICA Enterprise Development (Pty) Ltd (SAICA ED) is referred to as the Group.

The Board acknowledges it is ultimately responsible for the system of internal financial control established by the Group and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the Board set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.

The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The going concern basis has been adopted in preparing the financial statements. Based on forecasts until 31 December 2023 and available cash resources the Board has no reason to believe that the Group will not be a going concern in the foreseeable future. The consolidated financial statements support the viability of the Group.

The Group and Institute financial statements have been audited by the independent auditing firm Mazars, who have been given unrestricted access to all financial records and related data, including minutes of all meetings of the Board, the Board and committees of the Board. The Board believes that all representations made to the independent auditor during the audit were valid and appropriate. The external auditor's unqualified audit report is presented on pages 8 to 11.

The Group and Institute financial statements set out on pages 12 to 56 were approved by the Board on 15 April 2021 and were signed on their behalf by:

T Maluleke
Board Chairman

P Stock
Audit and Risk Committee Chairman

CERTIFICATE BY THE INSTITUTE SECRETARY

I hereby confirm, in my capacity as institute secretary of the South African Institute of Chartered Accountants (NPO) Group, that for the financial year ended 31 December 2020, the companies within the Group have filed all required returns and notices in terms of section 33(1) of the Companies Act 2008, with the Companies and Intellectual Property Commission and that all such returns and notices are to the best of my knowledge and belief true, correct and up to date.

J Snyman
Board Secretary
15 April 2021

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BOARD REPORT

THE BOARD PRESENTS THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2020.

1. REVIEW OF ACTIVITIES

Main business and operations

The principal activity of the Group is to serve the interests of the chartered accountancy profession and society by upholding professional standards, integrity and the pre-eminence of South African chartered accountants worldwide.

During the reporting period South Africa had declared a lockdown as a result of the COVID-19 pandemic. During this time the Group and Institute devised new ways of conducting operations which included staff working from home, seminars and events being virtual instead of face to face and projects needing to be revisited or delayed to a certain degree as our donors also deal with the challenges of the new normal.

The operating results and statements of financial position of the Group are fully set out in the attached financial statements and do not in our opinion require any further comment.

2. GOING CONCERN

The Group and Institute financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The application of this basis is supported by a detailed budget process which has incorporated the above COVID-19 impacts and include a certain level of judgements and estimates as well as ongoing compliance with budgeting controls.

Management and the Board are continually assessing and monitoring developments with regard to the COVID-19 pandemic along with the abovementioned impacts and at the time of finalising the report, the Board is confident that our responses are adequate and the crisis is being continuously monitored to assess effect on the financial position of the Group and Institute at financial year-end. The Board has further done an analysis with regard to the potential long-term effect of COVID-19 based on information available at approval date and it will be updated depending on how the situation unfolds.

3. EVENTS AFTER REPORTING DATE

The Board is not aware of any matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Group and Institute.

4. BOARD INTEREST IN CONTRACTS

To our knowledge none of the directors had any interest in contracts entered into during the year under review.

5. BOARD

The Board of the Institute during the reporting period and up to the date of this report was constituted as follows:

	Appointment date
Bekwa, B	23 October 2019
du Toit, J	23 October 2019
Forbes, Y (Lead Independent)	23 October 2019
Lamola, FL*	1 March 2014
Lubbe, I	23 October 2019
Maluleke, T (Chairman)	23 October 2019
Matenche, R	23 October 2019
Nomvalo, SF*	1 March 2019
Ramokhele, B	23 October 2019
Singer, M	23 October 2019
Stock, P	23 October 2019
Swanepoel, J	19 November 2019

* These Board members are employed at the Institute and have standard employment contracts.

6. SECRETARY

The Group's designated secretary is J Snyman.

7. INTEREST IN SUBSIDIARIES

All interests in controlled entities are disclosed in note 7.

8. INDEPENDENT AUDITORS

Mazars were the independent auditors for the reporting period.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS (NPO) GROUP

Report on the Audit of the Consolidated and Separate Financial Statements

OPINION

We have audited the consolidated financial statements of the South African Institute of Chartered Accountants (NPO) Group ('the Group and the Institute') set out on pages 12 to 56, which comprise the statement of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the South African Institute of Chartered Accountants (NPO) Group as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

MATTER	AUDIT RESPONSE
Recognition of revenue and revenue received in advance. Refer to note 17.2 to the financial statements. As per ISA 240 there is a presumed risk of fraud in revenue recognition. Subscription and professional development fees are material sources of revenue for the Institute. Revenue is invoiced in advance on the iMIS system and recognised to the extent that it is probable that the economic benefits will flow to the Institute when there is certainty that the consideration will be received. Due to the high volume of subscription and professional development fees, a potential risk exists that revenue and revenue received in advance may be inappropriately recognised in the incorrect financial period. Recognition of revenue and revenue received in advance was considered to be a key audit matter due to the significance of the balance, the reliance placed on the iMIS and TCMS systems, the significant volume of subscriptions and professional development fees processed during the year and the extent of audit work required to be performed by the audit team.	We have performed the following audit procedures: • Documenting and assessing the design, implementation and operating effectiveness of relevant key controls • Utilising our IT specialists to test the application controls around the completeness of the iMIS and TCMS systems relating to invoicing • Agreeing a sample of subscriptions and professional development fees to approved rate card by the SAICA Group Board and bank statements to verify that the revenue was recognised in the correct accounting period at the correct value • Performing substantive test of detail in relation to the appropriateness of the recognition of revenue • Verifying a sample of cash receipts from the bank statement prior to year-end and agree this to the iMIS (Subscription fees) and TCMS (Professional Development fees) invoice listings to confirm that only revenue received in advance is recognised as a liability at year end • Evaluating the revenue recognition accounting policy and related disclosures in terms of IFRS 15

MATTER	AUDIT RESPONSE
Donor funding income and project expenditure recognition. Refer to note 18 to the financial statements. Donor funding income is recognised when the conditions contained in the donor agreement have been met. The recognition of the project expenditure is based on the conditions that are attached to the donor funding agreement. Donors impose conditions on the allocation and administration of the donor funding income and project expenditure. Due to the conditions attached to donor funding contracts, a risk exists that: • Project expenditure may be used for purposes not in terms of the contract • Donor funding income may be recognised prior to all conditions being met, and • Excess funding may not be accounted for in the records correctly The recognition of donor funding income and project expenditure is considered to be a key audit matter, due to the extent of audit work required to be performed by the audit team, as well as the risk that the conditions attached to the donor funding agreements are not complied with.	We have applied a substantive approach and performed the following audit procedures: • for Controlled Entities in the SAICA group: agreeing a sample of project expenditures to supporting source documents to assess whether the supporting documents used as evidence indicates through appropriate description that the expenditure was incurred for the purpose set out in the donor funding agreement • for the SAICA institute: agreeing a sample of project expenditures to the drawdown schedules, which were first verified to the memorandum of agreements and the project budgets to assess whether the expenditure has been incurred for the purpose set out in the donor funding agreement • agreeing a sample of donor funding income recognised to the actual expenditure incurred as prescribed in the conditions stipulated in the agreement and ensuring that it has been appropriately classified and • evaluating whether the accounting treatment and disclosures for donor funding income and project expenditure in the financial statements were in accordance with the financial reporting standards, and • evaluating the completeness of deferred income at year end by comparing the total funding income to project expenditure incurred for all projects still in progress at year end
Impact of the outbreak of COVID-19 on the financial statements SAICA's strategic objective of ensuring financial sustainability, as well as the detrimental impact of the outbreak of the COVID-19 pandemic on the economy and all businesses in SA, necessitates an enhanced inherent risk with regard to the going concern applicable to all entities. The SAICA Group receives a significant portion of revenue from donations and subscriptions which will be affected should the entities and individuals who pay these fees become negatively affected by COVID-19. The economic state and success of business and individuals who are members of SAICA directly affect subscriptions and donations received by the SAICA Group making the impact of COVID-19 a significant risk. As per note 28 to the financial statements, the Board and Executive include the impact of COVID-19 on the SAICA Group.	We performed the following audit procedures: • Recalculating and analysing the solvency and liquidity of SAICA and its controlled entities as at 31 December 2020 • Assessing and analysing the cash flow ability of SAICA and its controlled entities as at 31 December 2020; analysing budgets and key assumptions for the 2021 financial year (and beyond) for SAICA and its controlled entities • Recalculating and testing commitments and contingencies for accuracy • Obtaining going-concern representations for SAICA and its controlled entities from the directors to support the going-concern assumption • Reviewing the Board and Exco's going concern assessment • Evaluating the adequacy and appropriateness of the disclosure of COVID-19 implications on SAICA

OTHER INFORMATION

The directors are responsible for the other information. Other information comprises the information included in the document titled 'The South African Institute of Chartered Accountants (NPO) Group as at 31 December 2020', which includes the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going-concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in *Government Gazette* Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of the South African Institute of Chartered Accountants (NPO) Group as at 31 December 2020 for three years.

Mazars

Partner:
Susan Truter

Registered Auditor

Date 15 April 2021
Melrose Estate

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		GROUP		INSTITUTE	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
ASSETS					
Non-current assets					
Property and equipment	5	**86 448**	103 423	**84 931**	100 595
Intangible assets	6	**49 814**	43 840	**49 814**	43 840
Total non-current assets		**136 262**	147 263	**134 745**	144 435
Current assets					
Inventories		**–**	136	**–**	136
Trade and other receivables	9	**115 698**	109 938	**46 566**	74 441
Prepayments		**2 190**	2 469	**2 180**	1 679
Contract fulfilment assets	17	**10 108**	7 678	**10 108**	7 678
Cash and cash equivalents	10	**365 964**	394 270	**317 214**	266 209
Total current assets		**493 960**	514 491	**376 068**	350 143
Total assets		**630 222**	661 754	**510 813**	494 578
RESERVES AND LIABILITIES					
Reserves					
Reserves	11	**195 122**	185 673	**190 888**	181 447
Other reserves	11	**125 996**	74 478	**44 469**	29 728
Total reserves		**321 118**	260 151	**235 357**	211 175
Liabilities					
Non-current liabilities					
Lease liability	15	**70 710**	78 889	**69 385**	77 370
Contract liabilities	17.3	**5 616**	4 696	**5 616**	4 696
Total non-current liabilities		**76 326**	83 585	**75 001**	82 066
Current liabilities					
Provisions	12	**22 228**	–	**22 228**	–
Trade and other payables	14	**93 732**	93 160	**81 927**	92 318
Contract liabilities	17.3	**93 600**	106 072	**93 600**	106 072
Deferred income	16	**23 218**	118 786	**2 700**	2 947
Total current liabilities		**232 778**	318 018	**200 455**	201 337
Total liabilities		**309 104**	401 603	**275 456**	283 403
Total reserves and liabilities		**630 222**	661 754	**510 813**	494 578

STATEMENTS OF SURPLUS OR DEFICIT

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		INSTITUTE	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Revenue	17.2	**413 510**	441 078	**413 510**	441 078
Other income	18	**395 799**	551 501	**106 445**	153 451
Administrative expenses	20	**(31 845)**	(33 584)	**(30 881)**	(32 026)
Other expenses	21	**(715 830)**	(877 945)	**(460 112)**	(486 160)
Expected credit losses	9.3	**(13 710)**	(6 710)	**(12 179)**	(6 387)
Other (losses) and gains	22	**(981)**	136	**(980)**	159
Surplus from operating activities		**46 943**	74 476	**15 803**	70 115
Finance income	23	**24 780**	26 474	**18 802**	19 631
Finance costs	24	**(10 302)**	(11 235)	**(10 071)**	(11 159)
Surplus for the year		**61 421**	89 715	**24 534**	78 587
Other comprehensive income		**–**	–	**–**	–
Total comprehensive income		**61 421**	89 715	**24 534**	**78 587**

STATEMENTS OF CHANGES IN EQUITY – GROUP

FOR THE YEAR ENDED 31 DECEMBER 2020

	South African Journal of Accounting Research (SAJAR) R'000	SAICA Education Fund (SEFCO) R'000	Thuthuka Education Fund (TEUF) R'000	The Hope Factory (THF) R'000	Accounting Technicians South Africa (AT(SA)) R'000	Tax Practitioners Levy R'000	Reserves R'000	Total R'000
Balance at 1 January 2019	510	5 341	32 078	4 304	146	7 318	120 739	170 436
Changes in equity								
Surplus for the year	–	–	–	–	–	–	89 715	89 715
Total comprehensive income	–	–	–	–	–	–	89 715	89 715
Allocation of AT(SA)	–	–	–	–	(146)	–	146	–
Allocation of SAICA Education Fund	–	9 340	–	–	–	–	(9 340)	–
Allocation of SAJAR	93	–	–	–	–	–	(93)	–
Allocation of Thuthuka Education Upliftment Fund	–	–	15 642	–	–	–	(15 642)	–
Allocation of The Hope Factory	–	–	–	(7 274)	–	–	7 274	–
Allocation of Tax Practitioners Levy	–	–	–	–	–	7 126	(7 126)	–
Balance at 31 December 2019	603	14 681	47 720	(2 970)	–	14 444	185 673	260 151
Balance at 1 January 2020	**603**	**14 681**	**47 720**	**(2 970)**	**–**	**14 444**	**185 673**	**260 151**
Changes in equity								
Surplus for the year	**–**	**–**	**–**	**–**	**–**	**–**	**61 421**	**61 421**
Total comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**61 421**	**61 421**
Allocation of SAICA Education Fund	**–**	**6 378**	**–**	**–**	**–**	**–**	**(6 730)**	**–**
Allocation of SAJAR	**(126)**	**–**	**–**	**–**	**–**	**–**	**126**	**–**
Allocation of Thuthuka Education Upliftment Fund	**–**	**–**	**38 458**	**–**	**–**	**–**	**(38 561)**	**–**
Allocation of The Hope Factory	**–**	**–**	**–**	**(1 682)**	**–**	**–**	**1 682**	**–**
Allocation of Tax Practitioners Levy	**–**	**–**	**–**	**–**	**–**	**8 489**	**(8 489)**	**–**
Balance at 31 December 2020	**477**	**21 059**	**86 178**	**(4 652)**	**–**	**22 933**	**195 122**	**321 118**
	11	11	11	11	11	11	11	11

STATEMENTS OF CHANGES IN EQUITY – INSTITUTE

FOR THE YEAR ENDED 31 DECEMBER 2020

	South African Journal of Accounting Research (SAJAR) R'000	SAICA Education Fund (SEFCO) R'000	Tax Practitioners Levy R'000	Reserves R'000	Total R'000
Balance at 1 January 2019	510	5 341	7 318	119 419	132 588
Changes in equity					
Surplus for the year	–	–	–	78 587	78 587
Total comprehensive income	–	–	–	78 587	78 587
Allocation of the SAICA Education Fund	–	9 340	–	(9 340)	–
Allocation of the SAJAR	93	–	–	(93)	–
Allocation of the Tax Practitioners Levy	–	–	7 126	(7 126)	–
Balance at 31 December 2019	603	14 681	14 444	181 447	211 175
Balance at 1 January 2020	**603**	**14 681**	**14 444**	**181 447**	**211 175**
Changes in equity					
Surplus for the year	**–**	**–**	**–**	**24 534**	**24 534**
Total comprehensive income	**–**	**–**	**–**	**24 534**	**24 534**
Allocation of the SAICA Education Fund	**–**	**6 378**	**–**	**(6 730)**	**–**
Allocation of the SAJAR	**(126)**	**–**	**–**	**126**	**–**
Allocation of the Tax Practitioners Levy	**–**	**–**	**8 489**	**(8 489)**	**–**
Balance at 31 December 2020	**477**	**21 059**	**22 933**	**190 888**	**235 357**
	11	11	11	11	11

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

		GROUP		INSTITUTE	
	Notes	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Net cash flows from operations	32	**98 322**	82 583	**68 773**	103 267
Interest received	23	**24 780**	26 474	**18 802**	19 631
Net cash flows from operating activities		**123 102**	109 057	**87 575**	122 898
Cash flows used in investing activities					
Cash flows from transfer of ISFAP	7	**(114 394)**	–	**–**	–
Proceeds from disposal of property and equipment	5 & 22	**243**	493	**243**	465
Acquisition of property and equipment	5	**(3 980)**	(5 433)	**(3 980)**	(5 194)
Acquisition of intangible assets	6	**(14 097)**	(28 955)	**(14 097)**	(29 387)
Cash flows used in investing activities		**(132 228)**	(33 895)	**(17 834)**	(34 116)
Cash flows used in financing activities					
Lease payments	15	**(8 915)**	(6 414)	**(8 702)**	(5 864)
Interest paid on lease liabilities	15	**(10 302)**	(11 235)	**(10 071)**	(11 159)
Cash flows used in financing activities		**(19 217)**	(17 649)	**(18 773)**	(17 023)
Net (decrease)/increase in cash and cash equivalents before effect of exchange rate changes		**(28 343)**	57 513	**50 968**	71 759
Effect of exchange rate changes on cash and cash equivalents		**37**	–	**37**	–
Net (decrease)/increase in cash and cash equivalents		**(28 306)**	57 513	51 005	71 759
Cash and cash equivalents at beginning of the year		**394 270**	336 757	**266 209**	194 450
Cash and cash equivalents at end of the year	10	**365 964**	394 270	**317 214**	266 209

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

The South African Institute of Chartered Accountants (NPO) (SAICA or the Institute) is a voluntary association not for gain and is registered in terms of the Non-Profit Organisations Act 72 of 1997. The principal activity of the Group is to serve the interests of the chartered accountancy profession and society by upholding professional standards, integrity and the pre-eminence of South African chartered accountants worldwide.

The South African Institute of Chartered Accountants (NPO) Group consists of SAICA, The Hope Factory (THF) NPC, SAICA Enterprise Development (Pty) Ltd (SAICA ED), the Thuthuka Education Upliftment Fund (TEUF) NPC and in the previous year the Association of Accounting Technicians (SA) NPC (AT(SA)), having its principal place of business at 17 Fricker Road, Illovo, Johannesburg, South Africa.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Group and Institute financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The Group and Institute annual financial statements have been prepared in accordance with International Financial Reporting Standards, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act 71 of 2008. The Group and Institute financial statements have been prepared under the historical cost basis. The functional and presentation currency for each of the entities in the Group is South African Rand (ZAR). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Institute's financial statements are prepared separately in order to provide useful information to all interested stakeholders.

The annual financial statements have been approved by the Board on 15 April 2021.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its Group and Institute financial statements, the Group has made significant judgements, estimates and assumptions that impact on the carrying amount of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group periodically monitors such estimates and assumptions and incorporates all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures from differing from estimates. The judgements made in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed in the relevant accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgements in applying the entity's accounting policies

3.1.1 Consolidation and control over subsidiaries (or 'Controlled entities')

The Group has applied judgements in relation to whether the Group controls the entities. These judgements have been stipulated in detail in note 7.

3.1.2 Significant control over associates

The Group has applied judgements in relation to whether the Group has significant control over the ISFAP Foundation (ISFAP). It was identified that one out of ten Board members on the ISFAP Board is a representative of the Group, however, this constitutes less than 20% of the voting power of ISFAP. The Group also does not have participation in policy-making processes nor the interchange of management personnel. It has therefore been concluded that the Group does not have significant influence over ISFAP. We have, however, disclosed ISFAP as a related party. For further details please refer to notes 7 and 27.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

3.1 Critical judgements in applying the entity's accounting policies (continued)

3.1.3 Revenue from contracts with customers

Determining performance obligations over a period of time

The Group has concluded that subscriptions, professional development – prequalification (training contracts), tax practitioner fees and SAICA Education Fund levies are to be recognised over time as the members and trainees simultaneously receive and consume the benefits that the Group provides. The fact that another institute would not need to re-perform these services to date demonstrates this.

Determining performance obligations at a point in time

The Group has concluded that disciplinary levy, member entrance fees, *Accountancy SA* magazine, product sales, professional development – prequalification (examinations), seminars and events and sponsorships are to be recognised at a point in time as the member, student, individual and sponsor are able to direct the use of and obtain all of the benefits of the product or service at one particular point in time.

3.1.4 Leases

Non-cancellable lease term

In determining the non-cancellable lease term, management considered all facts and circumstances (such as accessibility of premises to members, venue space requirements, etc) that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain, therefore a more than 50% chance, to be extended (or not terminated).

3.1.5 Trade and other receivables

Credit risk

At each reporting date, the Group assesses whether the credit risk on trade and other receivables has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the debtor. These factors have been stipulated in detail in note 9.2.

3.2 Critical accounting estimates and assumptions

3.2.1 Useful lives of intangible assets

The Group amortises its finite useful life intangible assets over their estimated useful lives. The estimation of the useful lives of assets are based on technological innovation as well as duration of valid licences. Due to the value of the intangible assets, a change in useful lives as a result of unforeseen technological changes may result in a material impact on the financial statements.

3.2.2 Leases

Discount rate

The Group has considered all relevant inputs to the determination of the incremental borrowing rate that are relevant to the underlying assets or similar group of underlying assets being leased. This includes consideration of the current economic environment, the term of the lease of the underlying asset or group of assets, and the credit position of the Group. The rate has also been adjusted to reflect the nature and quality of the underlying asset. The weighted average incremental borrowing rate used was 13%.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

4.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted all new and revised IFRSs that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2020. The Group have identified that the following standards and amendments may be applicable:

Definition of a Business (Amendments to IFRS 3) 1 January 2020

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A: Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, and
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business

Definition of Material (Amendments to IAS 1 and IAS 8) 1 January 2020

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

The Group has applied the practice statement in making materiality concepts in the financial statements. In determining the appropriate quantum for assessing quantitatively whether a transaction or event is material, the Group and Institute has considered guidelines from various sources, focusing on not-for-profit organisations and has concluded on using 0,5% of the gross revenue figure.

Misstatements may also be material on qualitative grounds. In making materiality judgements, the Group considers both entity specific and external qualitative factors such as unusual transactions, transactions that could result in reputational risk, fraudulent and dishonest behaviour, activities and transactions that contradict the requirements of legislation or regulations.

Application of the above standards did not materially impact these Group and Institute financial statements.

4.2 New standards and interpretations not yet adopted

The Group has not applied the following new, revised or amended pronouncements that have been issued by the IASB as they are not yet effective for the annual financial year beginning 1 January 2020. The new standards, amendments and interpretations will be adopted in the Group's financial statements when they become effective. The Group has assessed, where practicable, the potential impact of all these new standards, amendments and interpretations that will be effective in future periods. Application of these standards will not materially impact the financial statements.

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) 1 January 2022

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16) 1 January 2022

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.2 Standards and interpretations effective and adopted in the current year (continued)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) 1 January 2022

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Standards 2018 to 2020 – 1 January 2022

Make amendments to the following standards:

- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

5. PROPERTY AND EQUIPMENT

5.1 Accounting policy

Property and equipment owned by the Group comprise leasehold improvements, motor vehicles, furniture and fittings, office equipment and computer equipment. Buildings leased by the Group are disclosed as right-of-use assets in this note.

Property and equipment including right-of-use assets of the Group are measured at cost less accumulated depreciation and any accumulated impairment. Depreciation is determined based on a straight-line method over the useful life after deducting residual values. Depreciation for the Group's right-of-use assets is determined based on the lease term as the leased items are only used over that period. The depreciation is recognised in the statement of surplus and deficit of the Group and Institute. Refer to note 15 for the accounting policy on the right-of-use asset.

The useful lives for all property and equipment for current and prior periods are as follows:

Asset class	Useful life
Right of use – buildings	10% to 34% pa
Leasehold improvements	10% to 20% pa
Motor vehicles	25% pa
Furniture and fittings	10% to 33,3% pa
Office equipment	7,5% to 20% pa
Computer equipment	33,3% pa

The Group reviewed the useful lives, residual values and depreciation methods of its property and equipment at the end of this reporting period and concluded that no adjustment was considered necessary.

Computer equipment was disposed during this reporting period in the ordinary course of business. The items disposed of were derecognised and any gain or loss from the disposal is recognised in the Group's statement of surplus or deficit.

The Group assessed whether the carrying amount of the property and equipment is recoverable taking into account prevailing circumstances that may indicate an impairment at the end of this reporting period. No impairment was deemed necessary.

5. PROPERTY AND EQUIPMENT (continued)

5.2 Balances at reporting date and movements for the period

Reconciliation for the period ended 31 December 2020 – Group

	Right of use – buildings R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Total R'000
Balance at 1 January 2020							
At cost	**101 951**	**22 007**	**1 155**	**10 988**	**6 227**	**17 647**	**159 975**
Accumulated depreciation	**(24 274)**	**(8 899)**	**(1 092)**	**(3 946)**	**(4 460)**	**(13 881)**	**(56 552)**
Carrying amount	**77 677**	**13 108**	**63**	**7 042**	**1 767**	**3 766**	**103 423**
Movements for the period ended 31 December 2020							
Additions	**–**	**646**	**–**	**3**	**402**	**2 929**	**3 980**
Depreciation	**(13 568)**	**(2 355)**	**(63)**	**(1 081)**	**(892)**	**(2 308)**	**(20 267)**
Other movement"	**(57)**	**–**	**–**	**–**	**–**	**–**	**(57)**
Disposals	**–**	**–**	**–**	**–**	**–**	**(103)**	**(103)**
Cost	**–**	**–**	**–**	**–**	**–**	**(819)**	**(819)**
Accumulated depreciation	**–**	**–**	**–**	**–**	**–**	**716**	**716**
Transfer to ISFAP Foundation	**–**	**–**	**–**	**(120)**	**(17)**	**(391)**	**(528)**
Property and equipment at end of period	**64 052**	**11 399**	**–**	**5 844**	**1 260**	**3 893**	**86 448**
Balance at 31 December 2020							
At cost	**101 894**	**22 653**	**1 155**	**10 721**	**6 601**	**18 557**	**161 581**
Accumulated depreciation	**(37 842)**	**(11 254)**	**(1 155)**	**(4 877)**	**(5 341)**	**(14 664)**	**(75 133)**
Carrying amount	**64 052**	**11 399**	**–**	**5 844**	**1 260**	**3 893**	**86 448**

Reconciliation for the period ended 31 December 2019 – Group

	Right of use – buildings R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Total R'000
Balance at 1 January 2019							
At cost	92 583	21 092	1 155	10 394	6 270	16 453	147 947
Accumulated depreciation	(12 564)	(7 277)	(938)	(3 300)	(3 994)	(11 776)	(39 849)
Carrying amount	80 019	13 815	217	7 094	2 276	4 677	108 098
Movements for the period ended 31 December 2019							
Additions	11 257	1 428	–	1 020	475	2 510	16 690
Depreciation	(13 599)	(2 135)	(154)	(1 072)	(979)	(3 305)	(21 244)
Disposals	–	–	–	–	(5)	(116)	(121)
Cost	(1 889)	(513)	–	(426)	(518)	(1 315)	(4 661)
Accumulated depreciation	1 889	513	–	426	513	1 199	4 540
Property and equipment at end of period	77 677	13 108	63	7 042	1 767	3 766	103 423
Balance at 31 December 2019							
At cost	101 951	22 007	1 155	10 988	6 227	17 648	159 976
Accumulated depreciation	(24 274)	(8 899)	(1 092)	(3 946)	(4 460)	(13 882)	(56 553)
Carrying amount	77 677	13 108	63	7 042	1 767	3 766	103 423

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. PROPERTY AND EQUIPMENT (continued)

5.2 Balances at reporting date and movements for the period (continued)

Reconciliation for the period ended 31 December 2020 – Institute

	Right of use – buildings R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Total R'000
Balance at 1 January 2020							
At cost	100 014	22 007	763	10 436	6 175	15 981	155 376
Accumulated depreciation	(24 242)	(8 899)	(700)	(3 564)	(4 430)	(12 946)	(54 781)
Carrying amount	75 772	13 108	63	6 872	1 745	3 035	100 595
Movements for the period ended 31 December 2020							
Additions	–	646	–	3	402	2 929	3 980
Depreciation	(13 180)	(2 355)	(63)	(1 031)	(887)	(1 968)	(19 484)
Other movement"	(57)	–	–	–	–	–	(57)
Disposals	–	–	–	–	–	(103)	(103)
Cost	–	–	–	–	–	(819)	(819)
Accumulated depreciation	–	–	–	–	–	716	716
Property and equipment at end of period	62 535	11 399	–	5 844	1 260	3 893	84 931
Balance at 31 December 2020							
At cost	99 957	22 653	763	10 439	6 577	18 091	158 480
Accumulated depreciation	(37 422)	(11 254)	(763)	(4 595)	(5 317)	(14 198)	(73 549)
Carrying amount	62 535	11 399	–	5 844	1 260	3 893	84 931

Reconciliation for the period ended 31 December 2019 – Institute

	Right of use – buildings R'000	Leasehold improvements R'000	Motor vehicles R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Total R'000
Balance at 1 January 2019							
At cost	91 523	20 579	763	9 416	6 202	14 187	142 670
Accumulated depreciation	(12 034)	(6 764)	(546)	(2 589)	(3 961)	(10 612)	(36 506)
Carrying amount	79 489	13 815	217	6 827	2 241	3 575	106 164
Movements for the period ended 31 December 2019							
Additions	9 376	1 428	–	1 020	475	2 271	14 570
Depreciation	(13 093)	(2 135)	(154)	(975)	(966)	(2 746)	(20 069)
Disposals	–	–	–	–	(5)	(65)	(70)
Cost	(885)	–	–	–	(501)	(477)	(1 863)
Accumulated depreciation	885	–	–	–	496	412	1 793
Property and equipment at end of period	75 772	13 108	63	6 872	1 745	3 035	100 595
Balance at 31 December 2019							
At cost	100 014	22 007	763	10 436	6 176	15 981	155 377
Accumulated depreciation	(24 242)	(8 899)	(700)	(3 564)	(4 431)	(12 946)	(54 782)
Carrying amount	75 772	13 108	63	6 872	1 745	3 035	100 595

No property and equipment has been pledged as security and no restrictions on the use of the property and equipment exist.

6. INTANGIBLE ASSETS

6.1 Accounting policy

Intangible assets owned by the Group comprise computer software and licences, development costs on learning methodology and work in progress.

Intangible assets of the Group are measured at cost less accumulated amortisation and accumulated impairment.

Intangible assets with an indefinite useful life are not amortised but are tested for impairment annually and whenever there is an indication that the intangible asset may be impaired. The intangible asset's determination as having an indefinite useful life is also reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment.

During the reporting period it was concluded that the format of the below reconciliation could be improved and it has therefore been revised in order to be more appropriate and in line for the requirements of IFRS. The category previously shown as internally developed software has been combined with all computer software and licences as they both share the same accounting treatment and nature. No values have been changed as part of this process but merely the grouping and presentation of this reconciliation. There has therefore been no impact on the numbers.

Development costs on learning methodology

Development costs on learning methodology have been incurred in developing the curriculum required for appointment of an AT(SA) member. It also includes the material that training providers will use for the facilitation of lessons.

The development costs incurred on this methodology meet the definition of an intangible asset in the development phase and are not available for use. There are no costs in development phase at the end of this reporting period. The methodology presented in the note below is currently in use, is separable and generates revenue through exam fees charged and selling of manuals. The learning methodology is used to design examinations required for the qualification of an AT(SA) member. Costs of the methodology are easily identifiable such as labour costs, and can therefore be reliably measured. Furthermore, the asset has been assessed as having an indefinite useful life as the curriculum has been designed to be used an unlimited amount of times for unlimited period of time and the nature of the curriculum is not changing.

Work in progress

Work in progress in respect of computer software and learning material comprises design costs, raw materials, direct labour, other direct costs and related overheads. Work in progress is transferred to the relevant intangible asset on completion. Until such time it is measured at cost, has an indefinite useful life and is tested for impairment annually.

Computer software and licences

Separately acquired licences and development software are measured at historical cost. Licences and computer software have a finite useful life and are measured at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of developed software and licences over their estimated useful lives.

Amortisation for the Group's intangible assets is determined based on a straight-line method over the useful life after deducting residual values. Residual values of the intangible assets are assumed by the Group as zero. The amortisation charge for this reporting period has been recognised in the Group's statement of surplus for the period.

The estimated useful lives for the intangible assets for current and prior periods are as follows:

Asset class	Useful lives
Computer software and licences	Two to ten years
Development cost on learning methodology	Indefinite
Work in progress	Not available for use

The Group reviewed the useful lives of its intangible assets at the reporting date and concluded that no adjustment was considered necessary.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6. INTANGIBLE ASSETS (continued)

6.1 Accounting policy (continued)

The Group also assessed all of the intangible assets with finite useful lives at the end of this reporting period to determine whether there was indication that an item of intangible assets was impaired. No impairment was deemed necessary. Irrespective of whether there is any indication of impairment, the Group also tests its all of its intangible assets with indefinite useful lives and intangible assets not yet available for use (development costs on learning methodology and work in progress) for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts. In assessing value in use, the estimated future cash flows 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. The assessments have been done taking into consideration any impacts the COVID-19 may have had on our ability to use the software and software licences as intended that will in turn affect the cash flows, and have concluded that there has been no impact in this regard on the intangible assets held.

Cashflow forecasts consist of revenue, staff costs and overheads based on current and anticipated market conditions. The Group have determined that the recoverable amount calculations are most sensitive to changes in the market share during the budget period and the growth rate used to extrapolate cash flows. COVID-19 impact on demand as well as our ability to use the product and generate the revenue have been considered and found that there has been no impact in this regard. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 10,25%, being the prime interest rate relevant in the 2020 year.

6.2 Reconciliation of changes in intangible assets

Reconciliation for the period ended 31 December 2020 – Group and Institute

Figures in R'000	Computer software and licences	Development cost on learning methodology	Work in progress	Total
Balance at 1 January 2020				
At cost	35 896	2 653	26 096	64 645
Accumulated amortisation and impairment losses	(20 805)	–	–	(20 805)
Carrying amount	15 091	2 653	26 096	43 840
Movements for the period ended 31 December 2020				
Additions	670	–	13 427	14 097
Amortisation	(8 055)	–	–	(8 055)
Disposals	–	(68)	–	(68)
Cost	(3 513)	(68)	–	(3 581)
Accumulated amortisation and impairment	3 513	–	–	3 513
Transfer from work in progress	23 452	–	(23 452)	–
Intangible assets at end of period	31 158	2 585	16 071	49 814
Balance at 31 December 2020				
At cost	56 505	2 585	16 071	75 161
Accumulated amortisation and impairment losses	(25 347)	–	–	(25 347)
Carrying amount	31 158	2 585	16 071	49 814

6. INTANGIBLE ASSETS (continued)

6.2 Reconciliation of changes in intangible assets (continued)

Reconciliation for the period ended 31 December 2019 – Group and Institute

Figures in R'000	Computer software and licences	Development cost on learning methodology	Work in progress	Total
Balance at 1 January 2019				
At cost	29 079	–	5 089	34 168
Accumulated amortisation and impairment losses	(17 094)	–	–	(17 094)
Carrying amount	11 985	–	5 089	17 074
Movements for the period ended 31 December 2019				
Additions	2 690	3 556	26 197	32 443
Amortisation	(4 774)	–	–	(4 774)
Disposals	–	(903)	–	(903)
Cost	(1 063)	(903)	–	(1 966)
Accumulated amortisation and impairment	1 063	–	–	1 063
Transfer from work in progress	5 190	–	(5 190)	–
Intangible assets at end of period	15 091	2 653	26 096	43 840
Balance at 31 December 2019				
At cost	35 896	2 653	26 096	64 645
Accumulated amortisation and impairment losses	(20 805)	–	–	(20 805)
Carrying amount	15 091	2 653	26 096	43 840

6.3 Commitments

Capital commitments for the 2021 financial year amount to R19 538 000 relating to the Ushintsho strategic project that will be classified as computer software and licences. The Ushintsho Programme is a digital transformation project that aims to transform the member and stakeholder journey by driving business process improvements through the implementation of a modern Customer Relationship Management (CRM) system.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

7. INVESTMENTS IN SUBSIDIARIES

Accounting policy

Subsidiaries

Subsidiaries are consolidated from the date on which the Group obtains control to the date that control is lost. Subsidiaries of the Group include the Thuthuka Education Upliftment Fund NPC (TEUF) and The Hope Factory NPC (THF). There was no initial investment in these subsidiaries by the Institute.

Intra-group transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Control over the Thuthuka Education Upliftment Fund NPC (TEUF)

The TEUF is a Non-Profit Company in terms of the Companies Act of South Africa. 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.

The TEUF is accounted for as a subsidiary even though it is a Non-Profit Company in terms of the Companies Act of South Africa, regulated by its own board. The Board of the Group assessed whether or not the Group has control over the TEUF.

No factors from previous years had changed therefore prior assessment was reviewed in the current year and found to be relevant. The Group is satisfied that it has the practical ability to direct the relevant activities of the TEUF unilaterally and has exposure to the variable returns. The Group therefore has control over the TEUF in terms of IFRS 10 and is required to consolidate the TEUF into its group financial statements. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

Ikusasa Student Financial Aid Programme (ISFAP)

The Ikusasa Student Financial Aid Programme (ISFAP) was launched in January 2017 as part of the national effort to solve the funding challenge faced by the 'missing middle' students – a crisis that culminated in the country's #FeesMustFall protests. The programme funds students from households that earn between R0 and R600 000 per annum and provides them with the full cost of their studies as well as wrap-around support. The TEUF has hosted ISFAP until the ISFAP Foundation's legal and permanent structures were put into place.

The project was considered to be a pilot project within the TEUF. This pilot was fully funded through donations and therefore all costs incurred have been recovered at no cost to the Group. The decision has been taken that the project has achieved its purpose as a pilot and that a separate entity is best suited to assume the related assets and liabilities related to the pilot activities. As at 1 October 2020, the project was transfered to the ISFAP Foundation NPC. The Group assessed that the transfer of the pilot project did not constitute a discontinued operation in terms application of IFRS 5, because the carrying amount was not recovered principally through a sale transaction and does not represent a separate major line of business or geographical area. The Group has chosen to provide disclosure in line with the requirements of IFRS 5 in order to provide further information to the users.

An assessment has been done by management to determine whether the Group will continue to control the ISFAP Foundation through TEUF. The ISFAP Foundation constitutes an independent Board. The Group will therefore no longer have any power to direct the activities of the entity, nor does the Group have any exposure or rights to any variable returns from the entity or to affect these returns. However, A TEUF Board member is currently also on the ISFAP Board being one out of ten Board members and therefore ISFAP has been considered as a related party. In addition to the above, management has also considered the absence of interchange of managerial personnel in concluding that Group does not have significant influence over the ISFAP Foundation.

As the project only recognises income to the extent of the expenses incurred, the project breaks even and no gains or losses are reflected on the statement of comprehensive income. The following balances have been transferred as at 1 October 2020:

7. INVESTMENTS IN SUBSIDIARIES (continued)

Assets held:

Figures in R'000	GROUP 1 October 2020
Non-current assets	
Property, plant and equipment	**1 508**
Current assets	
Trade and other receivables	**425**
Prepayments	**268**
Cash and cash equivalents	**114 394**
Total assets	**116 595**

Liabilities held:

Figures in R'000	GROUP 1 October 2020
Current liabilities	
Trade and other payables	**30 001**
Revenue in advance	**85 553**
Lease liabilities	**1 041**
Total liabilities	**116 595**

Control over The Hope Factory NPC (THF)

The Hope Factory, a Non-Profit Company in terms of the Companies Act of South Africa, was started with the sole purposes of assisting potential entrepreneurs to create and establish businesses and to equip and support existing entrepreneurs to grow their businesses. The company is controlled by SAICA and three seats on the Board are occupied by SAICA employees. 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.

The Hope Factory is accounted for as a subsidiary even though it is a Non-Profit Company in terms of the Companies Act of South Africa, regulated by its own board. The Board of the Group assessed whether or not the Group has control over the THF.

No factors from previous years had changed therefore prior assessment was reviewed in the current year and found to be relevant. The Group is satisfied that it has the practical ability to direct the relevant activities of the THF unilaterally and has exposure to the variable returns. The Group therefore has control over the THF in terms of IFRS 10 and is required to consolidate the THF into its group financial statements. There are no significant restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group.

The Institute has issued a letter of support to The Hope Factory whereby they have undertaken to provide The Hope Factory with ongoing support to enable it to continue operating as a going concern and to discharge its obligations to its creditors, both current and future should the situation arise where this will be required.

Financial support

There are no contractual arrangements which would require the Institute to provide financial support to a consolidated structured entity. However, for reputational reasons, the Institute has committed to provide financial or other support to the consolidated entities. In addition, the Institute has committed to support the consolidated entities in obtaining financial support if so required.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. FINANCIAL ASSETS

8.1 Accounting policy

Financial assets held by the Group comprise trade and other receivables and cash and cash equivalents.

Trade receivables are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets of the Group are classified as financial assets subsequently measured at amortised cost. The Group hold their financial assets to solely collect the principal amounts plus interest on these balances. Accordingly, the financial assets are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset and subsequently measured at amortised cost using the effective interest method. The gross carrying amount is reduced by expected credit losses to reflect the amortised cost of the financial assets. Finance income, foreign exchange gains and losses and expected credit losses are recognised in the statement of surplus or deficit. Any gain or loss on derecognition is recognised in the statement of surplus or deficit.

There is no material difference between the fair value of receivables and their carrying amount due to the short-term nature of these instruments.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. The simplified approach has been applied in determining the expected credit losses using a lifetime expected loss allowance measured using a provision matrix. Change in credit risk is therefore taken into consideration through the provision of life time expected credit losses with this approach. Related party receivables are considered to be trade receivables and as a result thesebalances are also assessed using the simplified approach.

A forward-looking allowance for expected credit losses is recognised for all financial assets at amortised cost. Refer to note 9. Expected credit losses are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate.

Write-off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of income sources that could generate sufficient cash flows to repay the amounts subjected to the write-off. The Group currently do not have any enforcement rights over these write-offs. The Group and Institute consider a financial asset to be in default when the debtor is unlikely to pay its obligations based on the credit risk assessment or the financial asset is more than 90 days past due. Write offs are recognised as other expenses in the statement of surplus or deficit.

8.2 Carrying amount of financial assets by category

Figures in R'000	At amortised cost	Total
Year ended 31 December 2020 – Group		
Trade and other receivables (note 9)	**115 698**	**115 698**
Cash and cash equivalents (note 10)	**365 964**	**365 964**
Total financial assets	**481 662**	**481 662**
Year ended 31 December 2019 – Group		
Trade and other receivables (note 9)	109 938	109 938
Cash and cash equivalents (note 10)	394 270	394 270
Total financial assets	504 208	504 208
Year ended 31 December 2020 – Institute		
Trade and other receivables (note 9)	**46 566**	**46 566**
Cash and cash equivalents (note 10)	**317 214**	**317 214**
Total financial assets	**363 780**	**363 780**

8. FINANCIAL ASSETS (continued)

8.2 Carrying amount of financial assets by category (continued)

Figures in R'000	At amortised cost	Total
Year ended 31 December 2019 – Institute		
Trade and other receivables (note 9)	74 441	74 441
Cash and cash equivalents (note 10)	266 209	266 209
Total financial assets	340 650	340 650

9. TRADE AND OTHER RECEIVABLES

9.1 Accounting policy

Trade receivables are measured at transaction price. All trade and other receivable are due within 12 months therefore the Group applied the practical expedient and no significant financing was applied.

9.2 Trade and other receivables comprise:

	GROUP		INSTITUTE	
Figures in R'000	2020	2019	2020	2019
Trade receivables	**96 402**	74 256	**25 404**	37 739
Trade receivables loss allowance (refer note 9.3)	**(19 159)**	(4 438)	**(17 305)**	(4 114)
Trade receivables – net	**89 347**	69 818	**18 371**	33 625
Sundry receivables	**41 829**	44 475	**41 817**	44 418
Sundry receivables loss allowance (refer note 9.3)	**(4 036)**	(5 047)	**(4 035)**	(5 047)
Deposits	**657**	692	**621**	621
Related party receivables	**5**	–	**64**	824
Total trade and other receivables	**115 698**	109 938	**46 566**	74 441

Please refer to 9.4 for details of all significant trade and other receivables. Trade receivables relate to debtors that have arisen during the ordinary course of business, while sundry receivables comprise government debtors owing funds in relation to projects the Group is undertaking. Sundry receivables are not invoiced on a monthly basis.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group have adopted a policy of only dealing with credit-worthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group does not hold collateral in respect of trade and other receivables.

Trade and other receivables consist of a large number of students, trainees, training offices and sponsors spread across diverse industries and geographical areas, these being 'Trade receivables' of Institute. Ongoing credit evaluation is performed on the financial condition of trade and other receivables. Training contracts for the trainees, certain exams for students, the training offices and sponsors are all corporate companies and the Group has therefore assessed that they all share similar credit risk characteristics. All trade receivables have therefore been assessed in the same manner.

Revenue line items in relation to subscriptions, entrance fees, disciplinary levies and SEF levies are not assessed for expected credit losses as these revenue items have a deadline for payment, after which they are immediately reversed if not paid. This therefore means that no receivables exist for these items of revenue. Remaining items of revenue as well as other income, which result in trade receivables, have been assessed based on historical recovery rates as well as the credit worthiness of the debtor in the market.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

9.2 Trade and other receivables (continued)

Expected credit losses have been considered for deposits and related party receivables but found to be immaterial and therefore no expected credit losses have been provided. These line items have been assessed as a low credit risk as the counter-parties are deemed to have a strong ability to settle accounts. The allowance for expected credit losses is recognised in the Group and Institute's surplus for the year.

In their assessment, management considers, amongst other factors, the latest relevant sovereign ratings from reputable external rating agencies for sundry receivables, both past due (that is, whether it is more than 90 days past due) and forward-looking quantitative and qualitative information. Forward-looking information includes an adverse change in the economic environment, the assessment of the future outlook of the industry in which the debtor operates and the most recent news or market talks.

The expected loss rates are based on historical losses over a period of three years preceding 31 December 2020 and 1 January 2020. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as employment rates, inflation rates, COVID-19 impact, etc) affecting the ability of the customer to settle the receivables.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on trade receivables has increased significantly since initial recognition when contract payments are >90 days past due for trade debtors, unless the Group has reasonable and supportable information that demonstrates otherwise. The 30 day rebuttable presumption is therefore not used. Sundry receivables are not included in this presumption and are only assessed based on the factors described following the expected credit loss matrix.

The carrying amount of trade and other receivables recognised in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

To measure the expected credit losses, trade receivables and sundry receivables have been assessed separately as the credit risk of each is considered differently.

9. TRADE AND OTHER RECEIVABLES (continued)

9.3 Movements in expected credit losses of trade and other receivables are as follows:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
At start of year	**9 485**	2 245	**9 161**	2 245
Increase in loss allowance	**14 011**	8 497	**12 179**	8 173
Amounts written off	**(301)**	(1 257)	**–**	(1 257)
At end of year	**23 195**	9 485	**21 340**	9 161

The results of the provision matrix are summarised as follows:

	TRADE AND SUNDRY RECEIVABLES – GROUP				
Figures in R'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
31 December 2020					
Trade receivables					
Weighted average expected credit loss rate	**19,30%**	**1,47%**	**6,38%**	**38,49%**	
Estimated gross carrying amount	**1 836**	**26 160**	**24 000**	**43 882**	**95 878**
Lifetime ECL	**354**	**384**	**1 530**	**16 891**	**19 159**
Sundry receivables					
Expected credit loss rate	**–**	**–**	**9,65%**	**–**	
Estimated gross carrying amount	**–**	**–**	**41 829**	**–**	**41 829**
Lifetime ECL	**–**	**–**	**4 036**	**–**	**4 036**
Total ECL	**354**	**384**	**5 566**	**16 891**	**23 195**
31 December 2019					
Trade receivables					
Weighted average expected credit loss rate	10,00%	17,01%	52,97%	98,82%	
Estimated gross carrying amount	650	516	1 496	3 535	6 197
Lifetime ECL	65	88	792	3 493	4 438
Sundry receivables					
Expected credit loss rate	11,42%	10,07%	8,69%	5,88%	
Estimated gross carrying amount	1 037	2 329	39 600	21 292	64 258
Lifetime ECL	118	235	3 441	1 253	5 047
Total ECL	183	323	4 233	4 745	9 485

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (continued)

9.3 Movements in expected credit losses of trade and other receivables (continued)

	TRADE AND SUNDRY RECEIVABLES – INSTITUTE				
Figures in R'000	**Current**	**More than 30 days past due**	**More than 60 days past due**	**More than 120 days past due**	**Total**
31 December 2020					
Trade receivables					
Weighted average expected credit loss rate	**19,28%**	**11,58%**	**18,53%**	**85,95%**	
Estimated gross carrying amount	**1 836**	**2 107**	**2 580**	**18 881**	**25 404**
Lifetime ECL	**354**	**244**	**478**	**16 229**	**17 305**
Sundry receivables					
Expected credit loss rate	**–**	**–**	**9,65%**	**–**	
Estimated gross carrying amount	**–**	**–**	**41 817**	**–**	**41 817**
Lifetime ECL	**–**	**–**	**4 035**	**–**	**4 035**
Total ECL	**354**	**243**	**4 513**	**16 228**	**21 340**
31 December 2019					
Trade receivables					
Weighted average expected credit loss rate	10,00%	17,01%	52.97%	98,82%	
Estimated gross carrying amount	650	513	1 496	3 208	5 867
Lifetime ECL	65	87	792	3 170	4 114
Sundry receivables					
Expected credit loss rate	11,42%	10,07%	8,69%	5,88%	
Estimated gross carrying amount	1 037	2 329	39 600	21 292	64 258
Lifetime ECL	118	235	3 441	1 253	5 047
Total ECL	183	321	4 233	4 422	9 161

Sundry receivables comprise of government departments owing funds in relation to projects that the Group is performing on their behalf. Upon assessment of the balances for expected credit losses, it was found that older balances had been confirmed with the departments who had acknowledged the debt as well as that, the balances would be settled in due course. Based on the current economic climate and in absence of official confirmation that these balances would be paid, management concluded that balances less than 60 days old have a higher credit risk than those balances in more than 120 days. Gross receivables assessed for expected credit losses will differ to the total gross receivables as per note 9.2 due to the exclusion of debtors who have been assessed to not have expected credit losses, such a receivables raised as a result of donations receivable.

Trade receivables and sundry receivables are assessed each year for expected credit losses based on the information relevant to the current year. It was found in the current year these debtors consisted of donors for which receipt of funds has been delayed due to the impact of COVID on the donors. This has therefore resulted in the overall increase in the expected credit loss year on year.

9. TRADE AND OTHER RECEIVABLES (continued)

9.4 Significant trade and other receivables

		GROUP		INSTITUTE	
Figures in R'000	Trade/sundry receivables	**2020**	2019	**2020**	2019
TEUF – Auditor-General	Trade	**13 194**	9 207	**–**	–
TEUF – FASSET	Trade	**29 457**	23 210	**–**	–
TEUF – National Student Financial Aid Scheme	Trade	**24 295**	–	**–**	–
TVET College projects	Sundry	**40 276**	39 600	**40 276**	39 600
Gauteng Department of Health	Sundry	**12 271**	15 969	**12 271**	15 969

10. CASH AND CASH EQUIVALENTS

10.1 Accounting policy

Cash and cash equivalents comprise cash on hand, cash held at the bank, and short-term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are subsequently measured at amortised cost.

10.2 Cash and cash equivalents comprise:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Cash				
Cash on hand	**210**	117	**195**	102
Balances with banks	**46 524**	32 503	**26 156**	16 835
Total cash	**46 734**	32 620	**26 351**	16 937
Cash equivalents				
Short-term deposits	**319 230**	361 650	**290 863**	249 272
Total cash equivalents	**319 230**	361 650	**290 863**	249 272
Total cash and cash equivalents included in current assets	**365 964**	394 270	**317 214**	266 209
Net cash and cash equivalents	**365 964**	394 270	**317 214**	266 209

There are no significant restrictions on the Group's ability to access or use the cash of the Group.

Credit risk

The cash and cash equivalents are held with only investment grade banks within South Africa with high credit ratings assigned by international credit-rating agencies. The funds invested are spread across a number of banks.

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have a low credit risk based on the external credit ratings of the counterparties. The impact of the COVID-19 pandemic was considered however found that there had been no impact on cash and cash equivalents. No impairment was therefore deemed necessary.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

11. RESERVES

Nature and purpose of reserves

The following reserves form part of the various reserves of the Group and the Institute.

SAICA Education Fund (SEFCO) (Group and Institute)

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. The reserve is formed to maintain funding for SEFCO.

Reserves of individual entities (Group only)

The reserves of the Thuthuka Education Upliftment Fund, The Hope Factory and the Association of Accounting Technicians (SA) are the operating reserves of the individual entities.

South African Journal of Accounting Research (SAJAR) (Group and Institute)

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. The reserve is formed to maintain funding for SAJAR.

Tax Practitioners Levy (Group and Institute)

SAICA is registered as a recognised controlling body (RCB) with the South African Revenue Service (SARS) in terms of the Tax Administration Act (2011). The fee raised to tax practitioners is used solely for the administration in terms of the requirements for recognised controlling bodies. The surplus or deficit in any given year is recognised in the reserve. The reserve is formed to maintain funding for tax practitioner administration activities.

12. PROVISION

12.1 Accounting policy

The short-term incentive (STI) is a constructive obligation, created by the remuneration policy, STI policy and the performance evaluation process. The minimum requirements set out in the policy are expected to be met and thus a constructive obligation exists. The amount has been measured in line with the STI policy, however actual amounts paid may vary based on final individual, divisional and organisational performance assessments as approved by the Remuneration Committee and the SAICA Board.

12.2 Provisions comprise:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Short-term incentive	**22 228**	–	**22 228**	–
Reconciliation of short-term incentive provision:				
Opening balance	**–**	19 328	**–**	19 328
Settled during the year	**–**	(15 316)	**–**	(15 316)
Recognised/(derecognised) during the year	**22 228**	(4 012)	**22 228**	(4 012)
Closing balance	**22 228**	–	**22 228**	–

13. FINANCIAL LIABILITIES

13.1 Accounting policies

Financial liabilities of the Group are classified as financial liabilities subsequently measured at amortised cost. Accordingly, the financial liabilities are initially measured at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities held by the Group comprises trade and other payables of which the carrying amounts approximate the fair value due to the short-term nature. The lease liability carrying amounts approximate the fair value as the incremental borrowing rate is market related.

Financial liabilities are recognised initially when the Group becomes a party to contractual provisions of a contract.

13.2 Carrying amount of other financial liabilities by category

Figures in R'000	At amortised cost	Total
Year ended 31 December 2020 – Group		
Lease liability (note 15)	**70 710**	**70 710**
	70 710	**70 710**
Trade and other payables (note 14)	**80 538**	**80 538**
	80 538	**80 538**
Total financial liabilities	**151 248**	**151 248**
Year ended 31 December 2019 – Group		
Lease liability (note 15)	78 889	78 889
	78 889	78 889
Trade and other payables (note 14)	72 049	72 049
	72 049	72 049
Total financial liabilities	150 938	150 938
Year ended 31 December 2020 – Institute		
Lease liability (note 15)	**69 385**	**69 385**
	69 385	**69 385**
Trade and other payables (note 14)	**70 303**	**70 303**
	70 303	**70 303**
Total financial liabilities	**139 688**	**139 688**
Year ended 31 December 2019 – Institute		
Lease liability (note 15)	77 370	77 370
	77 370	77 370
Trade and other payables (note 14)	72 049	72 049
	72 049	72 049
Total financial liabilities	149 419	149 419

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

14. TRADE AND OTHER PAYABLES

14.1 Accounting policy

Trade payables are obligations for goods and services that have been acquired in the ordinary course of business from suppliers.

Trade payables are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

14.2 Trade and other payables comprise:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Trade creditors	**66 736**	57 454	**56 901**	58 233
Deposits received	**108**	–	**108**	108
Accrued leave pay	**13 689**	10 190	**12 895**	9 103
Current portion of lease liabilities	**13 802**	14 595	**13 402**	14 176
Value added tax	**9 452**	10 921	**8 676**	10 698
Total trade and other payables	**103 787**	93 160	**91 982**	92 318

14.3 Items included in trade and other payables not classified as financial liabilities

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Value added tax	**9 452**	10 921	**8 676**	10 698
Accrued leave pay	**13 689**	10 190	**12 895**	9 103
Deposits received	**108**	–	**108**	108
Total non-financial liabilities included in trade and other payables	**23 249**	21 111	**21 679**	19 909
Financial liability portion	**80 538**	72 049	**70 303**	72 409
Total trade and other payables	**103 787**	93 160	**91 982**	92 318

Employees' entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave due as a result of services rendered by employees up to the reporting date, with a maximum of 35 days per employee.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 30.2.

15. LEASE LIABILITY

15.1 Accounting policies

Right-of-use asset

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 18 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 be found in notes 5 and 24 and in the statement of cashflows.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability.

The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. None of the leases transfer ownership of the underlying assets to the Group.

The Group and Institute also assessed the right of use asset at the end of this reporting period to determine whether there was an indication of impairment. No impairment was deemed necessary.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not yet paid at the commencement date. Lease payments are discounted using the relevant group entity's incremental borrowing rate determined as a weighted average of 13%. The following lease payments are included where they are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable

Subsequently, the lease liability is measured by:

- Increasing the carrying amount to reflect interest on the lease liability
- Reducing the carrying amount to reflect the lease payments made

15.2 Lease liability comprises:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
IFRS 16 Lease Liability	**84 512**	93 484	**82 787**	91 546
Undiscounted lease commitments				
Not later than one year	**20 532**	19 192	**20 052**	18 774
Later than one year and not later than five years	**94 356**	89 692	**92 675**	88 195
Later than five years	**–**	24 532	**–**	24 532
	114 888	133 416	**112 727**	131 501
Non-current liabilities	**70 710**	78 889	**69 385**	77 370
Current liabilities	**13 802**	14 595	**13 402**	14 176
	84 512	93 484	**82 787**	91 546

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15. LEASE LIABILITY (continued)

15.2 Lease liabilities comprises: (continued)

		GROUP		INSTITUTE	
Figures in R'000		**2020**	2019	**2020**	2019
Opening balance		**93 484**	88 544	**91 546**	87 971
Lease movements		**(57)**	11 354	**(57)**	9 439
Interest		**10 302**	11 235	**10 071**	11 159
Less lease payments		**(19 217)**	(17 649)	**(18 773)**	(17 023)
	Principal	**8 915**	(6 414)	**(8 702)**	(5 864)
	Interest	**(10 302)**	(11 235)	**(10 071)**	(11 159)
Closing		**84 512**	93 484	**82 787**	91 546

16. DEFERRED INCOME

16.1 Accounting policies

Donations and grants received in advance are reported as a current liability if they will be earned within one year. Deferred income is recognised when the funds are received from the donors and derecognised to other income when terms of the contract have been met by the Group to the extent of the expenses that have been incurred. For further information refer to note 18.

16.2 Deferred income comprise:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Future project and bursary income	**6 428**	11 397	**2 700**	2 947
Bursary income	**16 790**	107 329	**–**	–
	23 218	118 726	**2 700**	2 947

The decrease in relation to the Group bursary income has resulted from the transfer of ISFAP assets and liabilities into a separate legal entity. Further detail can be found in note 7.

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**23 218**	118 726	**2 700**	2 947
	23 218	118 726	**2 700**	2 947

17. REVENUE

17.1 Accounting policies

The Group generates revenue from goods and services. Goods comprise products. Services comprise subscriptions, members' entrance fees, professional development – pre-qualification (training and examinations), tax practitioners fees, a once-off disciplinary levy, *Accountancy SA* magazine advertising, seminars, events, sponsorships and SAICA Education Fund levies. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts received on behalf of third parties, like value-added tax. The Group recognises revenue when it transfers control over a good or service to a customer. The Group has applied the practical expedient with regard to significant financing components on all contracts up to 12 months.

Revenue is recognised at a point in time when the goods are delivered to the customers, such as the date of issue of *Accountancy SA* magazine and the date of the seminar or event or sponsorship.

Revenue is recognised over a period of time for services in line with the duration of the service, that is, over the period of the subscription or the period of professional development contract. Invoices are generated at a point in time and are generally payable in advance of the service being provided to the customer.

No discounts are provided for any goods or services.

Contract balances

Contract fulfilment assets

The contract fulfilment assets consists of actual costs incurred to fulfil a contract of which the performance obligations have not been met yet significant costs have been incurred, in this case in relation to the Initial Test of Competence (ITC) Assessment of Professional Competence (APC). The Group recognises costs incurred relating to the ITC and APC as expenses when they are incremental and amortises these costs consistently with the pattern of revenue recognition. This asset does not meet the definition of a contract asset as it is not in relation for performance obligations already met and therefore the Group does not have the right to consideration.

Contract liabilities

If a customer (being a member, student or training office) pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as revenue when the Group performs under the contract.

17.2 Revenue comprises:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Subscriptions – Chartered Accountant (SA)	**277 196**	269 885	**277 196**	269 885
Disciplinary levy	**58**	27 207	**58**	27 207
Subscriptions – Associate General Accountants (SA)	**13 620**	9 127	**13 620**	9 127
Subscriptions – Accounting Technician (SA)	**746**	1 103	**746**	1 103
Accountancy SA	**1 692**	2 426	**1 692**	2 426
Entrance fees	**15 752**	17 732	**15 752**	17 732
Product sales	**6 367**	6 826	**6 367**	6 826
Professional development – pre-qualification	**56 063**	53 263	**56 063**	53 263
SAICA Education Fund levies	**34 402**	31 913	**34 402**	31 913
Seminars and events	**2 804**	15 922	**2 804**	15 922
Sponsorships	**4 810**	5 674	**4 810**	5 674
Total revenue	**413 510**	441 078	**413 510**	441 078

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17. REVENUE (continued)

17.2 Revenue comprises (continued)

Type of revenue	Description	Performance obligation	Transfer of control	Measurement of transaction price	Duration of contract
Service	Subscriptions	Making the designation available throughout the year	Over time	Invoice amount as contracted allocated using a straight-line method over 12 months	1 year
Service	Disciplinary levy	Commencement of disciplinary cases	At a point in time on receipt	Invoice amount as contracted	N/a Once-off cost
Goods	Accountancy SA magazine	Publishing the magazine	At a point in time	Invoice amount as contracted	N/a Once-off cost
Service	Entrance fees	Registration of membership	At a point in time	Invoice amount as contracted	N/a Once-off cost
Goods	Product sales	Delivery of product	At a point in time	Invoice amount as contracted	N/a Once-off cost
Service	Professional development – prequalification	Examinations – publishing of results	At a point in time	Invoice amount as contracted	N/a Once-off cost
Goods	Professional development – prequalification	Training contracts – admin support throughout contract	Over time	Invoice amount as contracted allocated using a straight-line method over 12 months	3–5 years
Goods	Professional development – prequalification	Training office reviews – one accreditation, one post accreditation visit/ monitoring	At a point in time	Two performance obligations. Invoice amount allocated based on a relative stand-alone selling price basis	1 year
Service	SAICA Education Fund levies	Updating and maintaining of standards	Over time	Invoice amount as contracted allocated using a straight-line method over 12 months	1 year
Goods	Seminars and events	Hosting of seminar/event	At a point in time	Invoice amount as contracted	N/a Once-off cost
Goods	Sponsorships	Advertising as agreed	At a point in time	Invoice amount as contracted	N/a Once-off cost

17. REVENUE (continued)

17.3 Contract fulfilment assets and contract liabilities

Contract fulfilment assets and contract liabilities are disclosed separately in the statement of financial position.

	GROUP		INSTITUTE	
Figures in R'000	2020	2019	2020	2019
Current contract fulfilment assets				
Assessment of Professional Competence (APC) exam	**5 932**	7 678	**5 932**	7 678
Initial Test of Competence (ITC) exam	**4 176**	–	**4 176**	–
	10 108	7 678	**10 108**	7 678

	GROUP		INSTITUTE	
Figures in R'000	2020	2019	2020	2019
Current contract liabilities (Revenue stream)				
SEFCO levies (SAICA Education Fund levies)	**(10 640)**	(9 900)	**(10 640)**	(9 900)
APC exams (Professional Development)	**(20 142)**	(17 162)	**(20 142)**	(17 162)
Trainee admin fee (Professional Development)	**(139)**	(647)	**(139)**	(647)
Training contract fees (Professional Development)	**(9 523)**	(7 349)	**(9 523)**	(7 349)
Subscriptions (Subscriptions all)	**(46 546)**	(67 854)	**(46 546)**	(67 854)
ITC exam January (Professional Development)	**(11 151)**	(4 685)	**(11 151)**	(4 685)
Tax Practitioners Levy (Subscriptions all)	**(1 075)**	(3 171)	**(1 075)**	(3 171)
	(99 216)	(110 768)	**(99 216)**	(110 768)

	GROUP		INSTITUTE	
	2020	2019	2020	2019
Non-current liabilities	**(5 616)**	(4 696)	**(5 616)**	(4 696)
Current liabilities	**(93 600)**	(106 072)	**(93 600)**	(106 072)
Total contract liabilities	**(99 216)**	(110 768)	**(99 216)**	(110 768)

The increase in contract assets and contract liabilities has risen primarily due to the June ITC examination being delayed to November as a result of the COVID-19 pandemic, the results of which will be released in 2021. This gave rise to additional contract assets and contract liabilities in comparison to the previous year.

SEFCO levies

- SEFCO was established to raise finance for the maintenance and development of standards of education and training for chartered accountants on par with the standards of its reciprocal partners.
- As part of the contract for trainees, the training office agrees to pay an annual levy toward the fund. The levy is payable for each completed year of training contract for each trainee until the training contract is cancelled or discharged.
- The maintenance and development of standards, being the performance obligation, is done throughout the year. Benefit provided for over a period of time and should therefore be recognised over such period.

APC exams

- APC is the second part of the qualifying examination which assesses professional competence.
- The exam fee is payable at any time and any non-payment will result in results being withheld from the candidate.
- The performance obligation to the candidate who has fully paid is an exam result. This is satisfied at a point in time when the exam results are released, which is 23 April 2021.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

17. REVENUE (continued)

17.3 Contract fulfilment assets and contract liabilities (continued)

Trainee admin fee

- Audit firms are required to employ trainees under training contracts. The firm must be accredited by SAICA as a training office.
- The accreditation fee is payable upfront on application of the accreditation. Two performance obligations arise from the contract, that is, the accreditation and the post-accreditation monitoring visit.
- The performance obligations are satisfied at a point in time and therefore the transaction price for each is recognised upon satisfaction at the relevant point in time.

Training contract fees

- Audit firms are required to employ trainees under training contracts.
- The training contract fee is payable upfront by the training office for periods between three and five years. This fee activates the training contract to register the trainee with SAICA.
- The performance obligation is satisfied over time as the contract runs over a period of three to five years. Revenue is therefore recognised monthly over the contract period. The Group has performed an assessment on the financing component of the contracts over three to five years and concluded that the financing component was not significant and therefore has not been applied.
- The training contracts allow the training office to receive a credit should a trainee cancel their contract for any reason prior to the completion of the training contract. As the training contract fee is allocated monthly, the credit is equivalent to the remaining months that the trainee did not complete.

Subscriptions

- In order to be entitled to carry their designations, CAs(SA), AGAs(SA) and ATs(SA) must pay a membership subscription fee to SAICA.
- The subscription fees are payable in full and upfront for access to the designation for the year ahead, being 1 January to 31 December each year.
- As the designation is used throughout the year, the performance obligation is satisfied over time and the transaction price is the subscription fee. Revenue is recognised monthly over one year.

ITC exams January

- ITC, which is the Initial Test of Competence, is the first part of the qualifying examination.
- The exam fee is payable at any time and any non-payment will result in results being withheld from the candidate.
- In this instance we refer to the ITC exam written in January 2020 for which payment was already received in 2019. The performance obligation to the candidate is an exam result. This is satisfied at a point in time when the exam results are released, which was 27 March 2020.
- During the 2020 financial year the June ITC examination was delayed as a result of the COVID-19 pandemic. This resulted in the examination taking place on 18 and 19 November 2020 for which the results were released on 26 February 2021.

Tax Practitioners Levy

- In order to practise as a tax practitioner, a tax practitioners levy is payable to SAICA as the recognised controlling body (RCB).
- The fees are payable in full and upfront for access to the designation for the year ahead, being 1 January to 31 December each year.
- As the ability to practise as a tax practitioner is used throughout the year, the performance obligation is satisfied over time and the transaction price is the fee amount. Revenue is recognised monthly over one year.

17. REVENUE (continued)

17.4 Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year.

Revenue recognised that was included in the contract liability balance at the beginning of the period

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
SEFCO levies (SAICA Education Fund levies)	**(9 900)**	(8 199)	**(9 900)**	(8 199)
APC exams (Professional Development)	**(17 162)**	(13 605)	**(17 162)**	(13 605)
Trainee admin fee (Professional Development)	**(647)**	(285)	**(647)**	(285)
Training contract fees (Professional Development)	**(7 349)**	–	**(7 349)**	–
Subscriptions (Subscriptions)	**(67 854)**	(80 194)	**(67 854)**	(79 872)
ITC exam (Professional Development)	**(4 685)**	(3 362)	**(4 685)**	(3 362)
Tax Practitioners Levy (Subscriptions)	**(3 171)**	(3 498)	**(3 171)**	(3 498)
	(110 768)	(109 143)	**(110 768)**	(108 821)

17.5 Unsatisfied performance obligations

Expected duration of the performance obligations at year end

Figures in R'000	**Up to one year**	**Two years**	**Three years**	**Four years**	**Five years**	**Total**
At 31 December 2020 – Group and Institute						
SEFCO levies (SAICA Education Fund levies)	**(10 640)**	**–**	**–**	**–**	**–**	**(10 640)**
APC exams (Professional Development)	**(20 142)**	**–**	**–**	**–**	**–**	**(20 142)**
Trainee admin fee (Professional Development)	**(139)**	**–**	**–**	**–**	**–**	**(139)**
Training contract fees (Professional Development)	**(3 907)**	**(3 854)**	**(1 416)**	**(280)**	**(66)**	**(9 523)**
Subscriptions (Subscriptions)	**(46 546)**	**–**	**–**	**–**	**–**	**(46 546)**
ITC exam (Professional Development)	**(11 151)**	**–**	**–**	**–**	**–**	**(11 151)**
Tax Practitioners Levy (Subscriptions)	**(1 075)**	**–**	**–**	**–**	**–**	**(1 075)**
	(93 600)	**(3 854)**	**(1 416)**	**(280)**	**(66)**	**(99 216)**
At 31 December 2019 – Group and Institute						
SEFCO levies (SAICA Education Fund levies)	(9 900)	–	–	–	–	(9 900)
APC exams (Professional Development)	(17 162)	–	–	–	–	(17 162)
Trainee admin fee (Professional Development)	(647)	–	–	–	–	(647)
Training contract fees (Professional Development)	(2 653)	(2 653)	(1 755)	(223)	(65)	(7 349)
Subscriptions (Subscriptions)	(67 854)	–	–	–	–	(67 854)
ITC exam (Professional Development)	(4 685)	–	–	–	–	(4 685)
Tax Practitioners Levy (Subscriptions)	(3 171)	–	–	–	–	(3 171)
	(106 072)	(2 653)	(1 755)	(223)	(65)	(110 768)

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

18. OTHER INCOME

18.1 Accounting policy

Other income comprises grants, project income and donations, and is utilised to cover project specific expenditure and this is not perceived to be the main business of the Group. It is recognised when there is reasonable assurance that the entity will comply with the conditions attached to the income and the income will be received.

Other income is accounted for when it is received or receivable. Where there are conditions attached to grants, project income and donations, these are recognised in deferred income until conditions are met, when they are then recognised in the statement of surplus or deficit of the Group.

Other income is the donor funding received by the Group for projects. Any income with unfulfilled conditions has been classified as deferred income.

Rent received is derived from the sub-letting of space by the Institute. This sub-lease expired on 31 December 2020. The rent received is recognised in the statement of surplus or deficit of the Group on a straight-line basis over the lease term.

18.2 Other income comprises:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Sundry income	**382 067**	548 564	**91 542**	149 379
Technical and Vocational Education and Training (TVET) project income	**29 739**	64 759	**29 739**	64 759
Department of Health project income	**7 698**	16 292	**7 698**	16 292
Community Education and Training college (CET) project income	**46 187**	38 932	**46 187**	38 932
Enterprisation project income	**115**	400	**115**	400
JP Morgan project income	**258**	572	**258**	572
Donations – TEUF	**144 092**	131 308	**–**	–
Donations – TEUF – ISFAP (pre 1 October 2020)	**130 409**	252 380	**–**	–
THF projects	**16 024**	15 497	**–**	–
AT(SA) projects	**7 545**	28 424	**7 545**	28 424
Recoveries	**976**	722	**976**	722
Rent received	**2 484**	2 215	**3 655**	3 350
Total other income	**385 527**	551 501	**96 173**	153 451

19. EMPLOYEE BENEFITS EXPENSE

19.1 Accounting policy

Short-term employee benefits

Compensation paid to employees for the rendering of services are recognised in the statement of surplus or deficit at the undiscounted amount paid or expected to be paid in the accounting period in which the services were rendered.

Where employees accumulate entitlement for paid absences (i.e. leave pay), an expense is recognised as the additional amount that the Group expects to pay as a result of the unused leave that has accumulated at the end of the reporting period. In the case of non-accumulating paid absences, the expense is recognised only when the absences occur.

The expected cost of bonus payments are recognised when there is a present legal or constructive obligation to make such payments as a result of past events, and a reliable estimate of the obligation can be made. A present obligation exists when there is no realistic alternative but to make the payments.

Termination benefits

A liability for termination benefit is recognised at the earlier of when the offer can no longer be withdrawn and when the related restructuring costs are recognised.

19.2 Employee benefits expense comprises:

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Salaries	**158 415**	141 605	**138 392**	120 215
Short-term incentive	**22 228**	–	**22 228**	–
Defined contribution plan expense	**19 135**	17 684	**19 135**	17 684
Board fees	**3 181**	833	**3 181**	833
Casual wages	**8 522**	3 330	**8 522**	3 330
Total employee benefits expense	**211 481**	163 452	**191 458**	142 062

20. SIGNIFICANT ADMINISTRATIVE EXPENSES

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Administrative expenses comprise:				
Auditors remuneration – internal	**1 399**	1 967	**1 399**	1 967
Auditors remuneration – external	**2 121**	2 148	**1 738**	1 674
Bank charges	**2 132**	2 307	**2 120**	2 291
Computer expenses	**6 962**	5 231	**6 760**	4 907
Subscriptions	**15 010**	16 050	**15 010**	16 050
Telephone and fax	**4 147**	5 563	**3 780**	4 819

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ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

21. OTHER EXPENSES

The Group view the expenses in two categories. Project expenses have been listed as all costs incurred per project. Core business expenses are viewed as operational expenses relating to the day-to-day activities of the Group.

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Other expenses comprise:				
Core business expenses	**391 375**	370 181	**366 197**	339 143
Significant core expenses:				
Advertising	**12 132**	10 983	**12 109**	10 868
Consulting fees	**24 623**	25 596	**21 100**	22 150
Utilities	**3 384**	2 973	**3 384**	2 973
Legal fees	**10 291**	6 865	**9 566**	6 864
Licence fees	**12 716**	6 198	**12 716**	6 198
Repairs and maintenance	**6 154**	2 477	**6 015**	2 477
Markers and umpires	**13 938**	11 011	**13 938**	11 011
Royalties	**2 954**	2 438	**2 954**	2 438
Research and content development	**4 380**	2 382	**4 380**	2 382
Subventions	**20 100**	19 846	**20 100**	19 846
Travel – local	**4 212**	10 770	**3 720**	10 203
Venue costs	**4 497**	15 530	**4 432**	15 444
Project expenses	**323 641**	507 764	**93 080**	147 017
AT(SA) – project costs	**12 977**	26 400	**9 437**	26 400
CET project costs	**46 281**	38 936	**46 281**	38 936
Department of Health project costs	**7 698**	16 294	**7 698**	16 294
Enterprisation project costs	**81**	630	**81**	287
JP Morgan project costs	**–**	571	**–**	571
TEUF bursaries	**77 229**	65 096	**–**	–
TEUF bursaries – ISFAP (pre 1 October 2021)	**130 409**	258 473	**–**	–
THF project costs	**19 399**	36 835	**16**	–
TVET project costs	**29 567**	64 529	**29 597**	64 529
Total other expenses	**715 016**	877 945	**459 277**	486 160

Institute project expenses do not exceed the donor funding received for the projects. Any surpluses that remain are retained as project management fees. The deficit on AT(SA) project costs is as a result of an anomaly and is therefore not indicative that the project will be loss making going forward.

22. OTHER GAINS AND (LOSSES)

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Other gains and (losses) comprise:				
Gain on disposal of assets	**139**	372	**140**	395
Loss on foreign exchange differences on liabilities	**(1 120)**	(236)	**(1 120)**	(236)
Total other gains and (losses)	**(981)**	136	**(980)**	159

23. FINANCE INCOME

Finance income is recognised using the effective interest method and is recognised when it is receivable to the Group. The interest income is earned on positive bank balances.

In calculating finance income, the effective interest rate is applied to the gross carrying amount of the asset.

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Finance income comprises:				
Interest received	**24 780**	26 474	**18 802**	19 631

Interest rate risk

The Group's exposure to fair value interest rate risk mainly arises from its fixed deposits with banks and the lease liability on right of use asset. It also has exposure on cash flow interest rate risk, that arises mainly from its deposits with banks. The Group interest rate risk exposure is reduced by the annual escalation of its fixed deposits with banks and investments should this not be variable interest rate instruments.

Sensitivity analysis

Change in interest rate (basis points)	-100	-50	-25	–	+25
Interest income sensitivity	(4 363)	(2 183)	(1 092)	–	1 092

24. FINANCE COSTS

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Interest paid – lease liability	**10 302**	11 235	**10 071**	11 159

25. INCOME TAX EXPENSE

The income of TEUF and THF is exempt from income tax in terms of the provisions of sections 10(1)(cN) and 30 of the Income Tax Act 1962. The income of the Institute is exempt in terms of the provisions of section 30B of the Income Tax Act 1962 and SAICA Enterprise Development (Pty) Ltd is a full tax-paying entity. Donations by or to the entities in the Group are exempt from donations tax in terms of section 56(1)(h) of the Income Tax Act 1962. The TEUF and THF have public benefit organisation (PBO) status.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

26. COMMITMENTS

TEUF

The company has signed contracts with FASSET, the National Research Foundation, and the National Student Financial Aid Scheme (NSFAS) for current projects.

Figures in R'000	2020–2022 Total contracted income (for remaining project term)
Full-time CTA project	**121 832**
	121 832

Commitments received	2021	2022	2023	Total
Secured funding in respect of bursaries	**48 576**	**35 333**	**25 762**	**109 671**

Commitments made to students

The current cost for a year of study is approximately R185 140 (2019: R168 310) per student, R92 570 (2019: R84 155) of which is funded by the National Students Financial Aid Scheme (NSFAS).

For 2021 there are 528 students on the bursary scheme with a total commitment of R48 876 960 for the year.

For every student who continues to pass, there is a contractual obligation to provide a bursary to complete the accredited undergraduate degree. Thus the total commitment as at 31 December 2020 for the committed bursaries is:

Figures in R'000	Number of committed students	2021	2022	2023	Total
Total commitments	528	48 576	38 355	18 924	105 855

The surplus funding will be utilised to fund new intake in 2021 and future intakes.

27. RELATED PARTIES

27.1 Group entities

Subsidiaries – refer note 7.

Other related parties – ISFAP Foundation NPC
Wiseman Nkuhlu Trust

The Group has identified the below related parties through common Board members:

- AG (SA) Auditor-General of South Africa
- Y F & Associates
- Pegasus Trust
- Candor Governance
- AfricaRAS Rise and Shine Inc.
- AfricaRAS Inc.
- Africa Rising Advisory Services
- Avon and Dedisa Peaking Powers
- Thendo Consultants
- African Women Movement
- Tendersfindu
- Stepping Stone Organisation
- Tabara Holdings
- Huruma Registered Auditors
- Fresh Harvest Stores
- Lero Holdings
- Sikhona Funani Foundation
- Linden Tourism and Projects

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27. RELATED PARTIES (continued)

27.2 Remuneration of the Board and Executive Committee

Figures in R'000	2020				2019			
	Remuneration	**Pension fund**	**Short-term incentive**	**Total**	Remuneration	Pension fund	Short-term incentive	Total
SF Nomvalo (2019: eleven months) **Chief Executive Officer (CEO)**	**4 331**	**–**	**–**	**4 331**	3 993	–	–	3 993
T Nombembe (2019: two months and leave pay) **Chief Executive Officer (CEO)**	**–**	**–**	**–**	**–**	1 084	–	–	1 084
FL Lamola, **Chief Operating Officer (COO)**	**2 943**	**211**	**–**	**3 154**	3 006	209	671	3 886
C Mulder, **Executive Director: Nation Building**	**2 647**	**286**	**–**	**2 933**	2 582	287	707	3 576
J Mojapelo (2019: six months in acting role) **Executive Director: Education**	**–**	**–**	**–**	**–**	928	44	–	972
P Faber (2019: three months acting role) **Executive Director: Education**	**–**	**–**	**–**	**–**	444	29	–	473
J Snyman (2019: ten months) **Executive Director: Governance**	**2 061**	**156**	**–**	**2 217**	1 723	130	–	1 853
W Gwaza (2019: three months in acting role; 2018: five months in acting role) **Executive Director: Governance**	**–**	**–**	**–**	**–**	385	23	–	408
M Bouah (2020: seven months) **Executive Director: Member and Global Alliances**	**1 380**	**101**	**–**	**1 481**	–	–	–	–
M McWalter, **Chief Executive Officer: SAICA Enterprise Development (Pty) Ltd**	**991**	**–**	**–**	**991**	981	–	–	981
N Kater (2019: nine months) **General Manager: Association of Accounting Technicians (SA)**	**–**	**–**	**–**	**–**	1 074	69	256	1 399
B Bekwa, **Board member (Digital Transformation Committee Chairman)**	**377**	**–**	**–**	**377**	91	–	–	91
J du Toit, **Board member (Social, Ethics and Transformation Committee Chairman)**	**261**	**–**	**–**	**261**	73	–	–	73
Y Forbes, **Board member (Lead Independent)**	**295**	**–**	**–**	**295**	95	–	–	95
I Lubbe, **Board member**	**259**	**–**	**–**	**259**	73	–	–	73
T Maluleke, **Board member (Chairman; Nominations Committee Chairman)**	**375**	**–**	**–**	**375**	141	–	–	141
R Matenche, **Board member**	**343**	**–**	**–**	**343**	97	–	–	97
B Ramokhele, **Board member (Human Resource and Remuneration Committee Chairman)**	**286**	**–**	**–**	**286**	91	–	–	91
M Singer, **Board member**	**241**	**–**	**–**	**241**	36	–	–	36
P Stock, **Board member (Audit and Risk Committee Chairman)**	**304**	**–**	**–**	**304**	103	–	–	103
J Swanepoel, **Board member**	**223**	**–**	**–**	**223**	36	–	–	36
V Motholo, **Independent member of the Audit and Rick Committee**	**112**	**–**	**–**	**112**	–	–	–	–
V Ngobese, **Independent member of the Audit and Rick Committee**	**98**	**–**	**–**	**98**	–	–	–	–
	17 527	**754**	**–**	**18 281**	17 036	791	1 634	19 461

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

27. RELATED PARTIES (continued)

27.3 Related party transactions and balances

Figures in R'000	Thuthuka Education Upliftment Fund (TEUF)	The Hope Factory (THF)	ISFAP Foundation	Total
Year ended 31 December 2020				
Related party transactions				
Administration costs in kind	**(4 061)**	**(1 041)**	**–**	**(5 102)**
SAICA donation (membership fees)	**(2 873)**	**–**	**–**	**(2 873)**
Rent received	**–**	**–**	**1 680**	**1 680**
Outstanding balances for related party transactions				
Amounts receivable	**–**	**618**	**5**	**623**
Year ended 31 December 2019				
Related party transactions				
Related party transactions				
Administration costs in kind	(4 298)	(2 054)	–	(6 352)
SAICA donation (membership fees)	(2 623)	–	–	(2 623)
Project management fee income	455	–	–	455
Lease rental	1 555	–	–	1 555
Outstanding balances for related party transactions				
Amounts payable	(185)	(638)	–	(823)

All key management that are employed by the Group have standard employment contracts.
All transactions with related parties have been concluded at arms length. Related party balances are interest free and have no fixed terms of repayment.

28. EVENTS AFTER THE REPORTING DATE

The Board is not aware of any other matter or circumstance arising since the end of the financial year to the date of this report that could have a material effect on the financial position of the Group and Institute.

29. GOING CONCERN

The Group and Institute financial statements have been prepared on the going concern basis. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Group has a COVID-19 task team to continually assess the impact the pandemic has had on the operations of the Group. With these on-going assessments and the continual monitoring of the forecasts and budgets, management and the Board is of the opinion that going concern risk is low.

Management and the Board are continually assessing and monitoring developments with regard to the COVID-19 pandemic and at the time of finalising the report, the Board is confident that our responses are adequate and the crisis is being continuously monitored to assess effect on the financial position of the Group and Institute at financial year-end. The Board has further performed an analysis with regard to the potential long-term effects of COVID-19 based on information available at approval date and will be updated depending on how the situation unfolds.

30. FINANCIAL RISK MANAGEMENT

The Group's Risk Management Committee monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyse exposure by degree and magnitude of risk. These risks include market risk, credit risk and liquidity risk.

Market and liquidity risk are addressed below. Credit risk is addressed under trade and other receivables and cash and cash equivalents respectively. (Refer to notes 9 and 10.)

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

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

30. FINANCIAL RISK MANAGEMENT (continued)

30.1 Market risk

30.1.1 Foreign exchange risk

Exposure

The Institute's foreign currency risk arises from transactions incurred for foreign subscriptions and royalties, which are denominated in pound sterling, United States dollar, Euro and Australian dollar. Foreign exchange gains or losses resulting from the settlement of foreign currency transactions are recognised in surplus or deficit. The exchange rates used are as follows:

	£	€	AUD$	USD$
31 December 2020				
Average rate	**19,32**	**16,87**	**10,58**	**14,35**
Spot rate	**20,02**	**17,99**	**11,31**	**14,67**
31 December 2019				
Average rate	18,37	16,1	9,98	14,22
Spot rate	18,43	15,73	9,83	14,05

Sensitivity

The following table details the Group's sensitivity to a 10% increase and decrease in the rand against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management is 10% and it represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only outstanding foreign-currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the rand strengthens by 10% against the relevant currency. For a 10% weakening of the rand against the relevant currency, there would be a comparable impact on the profit and the balances below would be negative.

	IMPACT ON SURPLUS	
	2020	2019
US exchange rate – increase 10% (10%) *	**(6)**	(3)
US exchange rate – decrease 10% (10%) *	**6**	3
GBP exchange rate – increase 10% (10%) *	**312**	–
GBP exchange rate – decrease 10% (10%) *	**(312)**	–
EUR exchange rate – increase 10% (10%) *	**–**	(35)
EUR exchange rate – decrease 10% (10%) *	**–**	35
Increase/decrease impact	**306**	(37)

* Holding all other variables constant

	£	€	AUD$	USD$
31 December 2020				
Bank balances	**165**	**–**	**–**	**–**
Trade payables	**(9)**	**–**	**–**	**(4)**
31 December 2019				
Trade payables	N/A	22	N/A	2

30.2 Liquidity risk

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 and banking facilities by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its current liabilities, commitments and guarantees with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of the current liabilities, commitments and guarantees based on earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

30.2.1 Maturities of financial liabilities

Contractual maturities of financial liabilities (R'000)	Less than six months	Between six months and one year	Between one and two years	Between two and five years	Over five years	Total contractual cash flows
Year ended 31 December 2020 – Group						
Non-derivatives						
Trade and other payables (note 14)	–	80 538	–	–	–	80 538
Finance lease obligation (note 15)	10 266	10 266	45 473	48 883	–	114 888
Guarantees	–	–	–	–	3 898	3 898
Total non-derivatives	10 266	90 804	45 473	48 883	3 898	199 324
Year ended 31 December 2019 – Group						
Non-derivatives						
Trade and other payables (note 14)	36 025	13 689	20 174	2 161	–	72 049
Finance lease obligation (note 15)	9 596	9 596	41 752	47 940	24 532	133 416
Guarantees	–	–	–	–	3 898	3 898
Total non-derivatives	45 621	23 285	61 926	50 101	28 430	209 363
Year ended 31 December 2020 – Institute						
Non-derivatives						
Trade and other payables (note 14)	–	70 303	–	–	–	70 303
Finance lease obligation (note 15)	10 026	10 026	44 396	48 279	–	112 727
Guarantees	–	–	–	–	3 898	3 898
Total non-derivatives	10 026	80 329	44 396	48 279	3 898	186 928
Year ended 31 December 2019 – Institute						
Non-derivatives						
Trade and other payables (note 14)	36 025	13 689	20 174	2 161	–	72 049
Finance lease obligation (note 15)	9 387	9 387	40 255	47 940	24 532	131 501
Guarantees	–	–	–	–	3 898	3 898
Total non-derivatives	45 412	23 076	60 429	50 101	28 430	207 448

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

31. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern.

Our reserves policies ensure that the Group have sufficient resources to meet its obligations and other cash flow requirements of the Group. The Group optimises the management of its capital through the Investment and Reserves policy managed by the treasury function under the supervision of the chief financial officer.

The Group follows a low risk approach to determine the optimal capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets.

The Group has adhered to the requirements of the Investment and Reserves policy and this has therefore translated in the Group maintaining levels of interest received as well as sufficient cash reserves in order to settle obligations in the ordinary course of business. As per the statement of financial position cash in relation to net debt is 3,5:1.

32. CASH FLOWS FROM OPERATING ACTIVITIES

	GROUP		INSTITUTE	
Figures in R'000	**2020**	2019	**2020**	2019
Surplus for the year	**61 421**	89 715	**24 534**	78 587
Adjustments for:				
Finance income	**(24 780)**	(26 474)	**(18 802)**	(19 631)
Finance costs	**10 302**	11 235	**10 071**	11 159
Depreciation and amortisation expense	**28 322**	26 018	**27 539**	24 843
Impairment losses (ECL)	**4 036**	6 710	**2 525**	6 387
Adjustments for lease liabilities	**(3 475)**	(12 217)	**(3 155)**	(11 937)
Gains and losses on foreign exchange	**1 083**	236	**1 083**	236
Gains and losses on disposal of non-current assets	**(139)**	(372)	**(140)**	(395)
Non-cash transfer of ISFAP	**(978)**	–	**–**	–
Change in operating assets and liabilities:				
Decrease in inventories	**136**	92	**136**	92
(Increase)/decrease in trade accounts receivable	**(7 034)**	6 992	**27 875**	5 283
Decrease/(increase) in prepayments	**279**	4 209	**(501)**	3 168
(Increase)/decrease in contract cost assets	**(2 430)**	(2 932)	**(2 430)**	(2 932)
Increase/(decrease) in provisions	**22 228**	(19 328)	**22 228**	(19 328)
Increase/(decrease) in trade accounts payable	**572**	(15 186)	**(10 391)**	22 841
(Decrease)/increase in contract liabilities	**(11 552)**	1 625	**(11 552)**	1 947
(Decrease)/increase in deferred income	**(95 568)**	12 260	**(247)**	2 947
Transfer of other receivables	**(696)**	–	**–**	–
Transfer of other payables	**116 595**	–	**–**	–
Net cash flows from operations	**98 322**	82 583	**68 773**	103 267

33. GUARANTEES

The Institute has a guarantee in place through 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) (2019: R150 000). The Institute also has guarantees in place with Nedbank for bulk postage to the value of R250 000 (2019: R250 000). The Institute also has a guarantee in place with First National Bank for the lease of 17 Fricker Road, Illovo in favour of Sanlam to the value of R3 497 570.

34. CONTINGENT LIABILITIES

The Group is aware of pending legal matters and has, in consultation with its legal counsel, assessed the outcome of these procedings. Management have therefore concluded that no provisions are required in respect of these legal matters and that these litigations, current or pending, are not likely to have a material adverse effect on the Group. However, should the outcome of these cases not be favourable to the Group these may result in potential obligations in the future.

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