The Ombudsman for Short-Term Insurance NPC
(Registration number 2000/030638/08)
Summary Financial Statements
for the year ended 31 December 2018

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General Information

These financial statements were prepared in terms of section 29(3) of the Companies Act of 71 of 2008 for distribution to members for ease of reference and:

- are a summary of the audited annual financial statements of The Ombudsman for Short Term Insurance NPC for the year ended 31 December 2018, which were approved by the Board on 1 April 2019.
- the audited financial statements have been audited in compliance with the applicable requirements of the Companies Act of 71 of 2008.
- Both the audited and summary financial statements were independently compiled by Marlice Boshoff CA (SA).

A copy of the said audited financial statements can be obtained from the registered office of the company.

The Ombudsman for Short-Term Insurance NPC

(Registration number 2000/030638/08)
Summary Financial Statements for the year ended 31 December 2018

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The reports and statements set out below comprise the summary financial statements presented to the members:

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The summary financial statements set out on pages 3 to 18, which have been prepared on the going concern basis, were approved by the board on 1 April 2019 and were signed ~~on its behalf~~ by:

Chairman

Director

Independent auditor's report on the summary financial statements

To the Members of The Ombudsman for Short-Term Insurance NPC

Opinion

The summary financial statements of The Ombudsman for Short-Term Insurance NPC, set out on pages 5 to 18 which comprise the summary statement of financial position as at 31 December 2018, the summary statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of The Ombudsman for Short-Term Insurance NPC for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Accounting Standard (IAS) 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 10 June 2019.

Director's Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with the International Accounting Standard (IAS) 34 and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: Jackie Rossouw

Registered Auditor

Johannesburg

Date: 10 June 2019

Summary Statement of Financial Position as at 31 December 2018

	Note	2018 R	2017 R	2016 R
Assets				
Non-Current Assets				
Property, plant and equipment		1,359,615	1,024,917	972,441
Intangible assets		777,003	435,094	351,032
		2,136,618	**1,460,011**	**1,323,473**
Current Assets				
Trade and other receivables		3,889,913	2,253,979	2,027,688
Cash and cash equivalents		18,693,180	20,163,564	18,554,269
		22,583,093	**22,417,543**	**20,581,957**
Total Assets		**24,719,711**	**23,877,554**	**21,905,430**
Equity and Liabilities				
Equity				
Reserves		(136,115)	(136,115)	(136,115)
Retained income		12,787,111	12,725,203	15,257,290
		12,650,996	**12,589,088**	**15,121,175**
Liabilities				
Non-Current Liabilities				
Retirement benefit obligation		619,900	604,077	605,852
Current Liabilities				
Trade and other payables		5,665,477	6,570,410	1,619,680
Deferred income	2	5,519,780	3,870,913	4,338,940
Provisions		263,558	243,066	219,783
		11,448,815	**10,684,389**	**6,178,403**
Total Liabilities		**12,068,715**	**11,288,466**	**6,784,255**
Total Equity and Liabilities		**24,719,711**	**23,877,554**	**21,905,430**

Summary Statement of Profit or Loss and Other Comprehensive Income

		2018 R	2017 R
Revenue	3	38,062,983	33,938,827
Other income		81,527	45,880
Operating expenses		(39,712,144)	(38,407,651)
Operating loss		**(1,567,634)**	**(4,422,944)**
Finance income		1,629,542	1,891,015
Finance costs		-	(158)
Profit (loss) for the year		**61,908**	**(2,532,087)**
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		**61,908**	**(2,532,087)**

Summary Statement of Changes in Equity

	Other comprehensive income	Retained income	Total equity
	R	R	R
Balance at 1 January 2017 as restated	**(136,115)**	**15,257,290**	**15,121,175**
Deficit for the year	-	(2,532,087)	(2,532,087)
Total comprehensive Loss for the year	**-**	**(2,532,087)**	**(2,532,087)**
Balance at 1 January 2018	**(136,115)**	**12,725,203**	**12,589,088**
Surplus for the year	-	61,908	61,908
Balance at 31 December 2018	**(136,115)**	**12,787,111**	**12,650,996**

Summary Statement of Cash Flows

	2018 R	2017 R
Cash flows from operating activities		
Cash used in operations	(1,640,203)	390,363
Finance income	1,629,542	1,891,015
Finance costs	-	(158)
Net cash from operating activities	**(10,661)**	**2,281,220**
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,001,299)	(532,895)
Purchase of other intangible assets	(458,424)	(139,030)
Net cash from investing activities	**(1,459,723)**	**(671,925)**
Total cash movement for the year	**(1,470,384)**	**1,609,295**
Cash at the beginning of the year	20,163,564	18,554,269
Total cash at the end of the year	**18,693,180**	**20,163,564**

Accounting Policies

1. Presentation of summary financial statements

The summary financial statements have been prepared in accordance with International Financial Reporting Standards, and the Companies Act of South Africa. The summary financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except for changes set out in note 1.2 and note 2.

1.1 Significant judgements and sources of estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factor that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management adopted IFRS 9 and IFRS 15 for the first time in the 2018 financial year. IFRS 15 requires in it's 5 step revenue model to identify the contract. All of the following criteria should be met before an entity can consider a contract with a customer to be a "contract" within the scope of IFRS 15:

- the contract has been approved (in writing, orally, or in accordance with other customary business practices) and the parties are committed to perform their respective obligations,
- the entity can identify each party's rights;
- the entity can identify the payment terms;
- the contract has commercial substance; and
- it is probable that the entity will collect the consideration to which it is entitled for transferring the goods and services to the customer.

As there is no written or verbal contract. The fee payable is_governed by law (in terms of the Act), therefore the commercial substance of the transaction is not clearly defined. The Company therefore acts in the interest of the public/ policy holder. Furthermore each party's rights cannot clearly be identified. The insurer members of the Company which are liable to pay the respective fees to the Company, are not entitled to receive any benefits from the Company. The Company does not have any promise to fulfil to the insurer members. The Company rather serves the public / policy holder and only once a policy holder logs a query does the Company have to act.

Not all of the criteria in IFRS 15.9 are met. Therefore, the arrangement between OSTI and the insurer members is not a "contract" in terms of IFRS 15 and therefore falls outside the scope of IFRS 15.

IAS 8 provides guidance in the absence of an IFRS. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management shall use its judgement in developing and applying an accounting policy that results in information that is:

(a) relevant to the economic decision-making needs of users; and
(b) reliable, in that the financial statements:
i) represent faithfully the financial position, financial performance and cash flows of the entity;
ii) reflect the economic substance of transactions, other events and conditions, and not merely the legal form;
iii) are neutral, i.e. free from bias;
iv) are prudent; and
v) are complete in all material respects

In making the judgement described above, management shall refer to, and consider the applicability of, the following sources in descending order:

(a) the requirements in IFRSs dealing with similar and related issues; and
(b) the definitions, recognition criteria and measurement concepts for assets, liabilities, income and expenses in the Framework.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

In making the judgement described above, management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, other accounting literature and accepted industry practices, to the extent that these do not conflict with the sources above.

The Company therefore developed an accounting policy for the recognition of fees received from its insurer members. Refer to note 1.9 for the relevant accounting policy.

Key sources of estimates uncertainty

Impairment of financial assets

The impairment provision for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing marketing conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Impairment testing

The recoverable amounts of individual assets have been determined based on the higher of value-in-use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Useful lives of property, plant and equipment

The directors reviewed the residual values, useful lives and carrying amounts of its plant and equipment to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The directors judged a residual value of zero as a result of the fact that furniture and equipment are not held for trading and are normally scrapped.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note - Provisions.

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

Cost includes cost incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the the financial period in which they are incurred.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment is charged to the statements of comprehensive income on a straight line basis over the estimated useful life of each part of the asset.

The useful lifes of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Computer equipment	Straight line	4 years

Accounting Policies

Depreciation methods, useful life and residual value are reassessed annually.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised.

1.3 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Item	Useful life
Computer software	4 years

Amortisation methods and useful lives are reassessed annually.

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortised cost. This category applies only when the contractual terms of the instrument gives rise, on specified dates, to cash flows that are sole payments of principal and interest on principal and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or
- Mandatorily at fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income; or
- Designated at fair value through profit or loss. This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or

Accounting Policies

1.4 Financial instruments (continued)

- Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

Notes 3, 4 and 5 - financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 8).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

If trade and other receivables contain a significant financing component, and the effective interest method results in the recognition of interest income, then it is included in profit or loss in finance income (note 17).

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date. The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 8.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 16).

Accounting Policies

1.4 Financial instruments (continued)

Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Trade and other payables

Classification

Trade and other payables (note 11), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs.

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 3 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value

Bank overdrafts

Bank overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

1.5 Leases

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

Leases of property and equipment where the company assumes substantially all the benefits and risks of ownership are classified as finance leases. Fixed assets leased in terms of finance lease agreements are capitalised at the estimated present value of the underlying lease payments and are depreciated in accordance with the policies applicable to equivalent items of property, plant and equipment. Corresponding rental obligations, net of finance charges, are included in other long-term payables. Lease finance charges are amortised over the duration of the leases by the effective interest rate method which takes into account the effective interest charge on the lease.

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the period of the lease.

Accounting Policies

1.5 Leases (continued)

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amount is recognised as an expense and the contractual payment is recognised as an operating lease asset or liability. This asset/liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.6 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the company also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.7 Employee benefits

Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees' service in the current and other periods.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company has no further payment obligations once the contributions have been paid.

Payments made to industry-managed retirement benefit schemes (or state plans) are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.8 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting Policies

1.8 Provisions and contingencies (continued)

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Historical data is used to estimate the provision for credit notes to be approved in the subsequent year which relates to the provision for the financial year.

1.9 Revenue

The company recognizes revenue from the following major sources:
- Fee income
- Penalty fee income

The Financial Sector Regulation Act 9 of 2017 Section 211(3) requires that a financial institution that provides financial products and financial services and there is a recognised industry ombud scheme that provides for the resolution of complaints about financial products or financial services of that kind, the financial institution must be a member of that industry ombud scheme.

Short Term Insurers are therefore required to either register with the Company or FAIS. A fee per complaint is levied to each member insurer of the company, on each complaint lodged against them. It is a fixed rate fee which is confirmed at the beginning of each year. Fee income is recognized over time based on the earlier of when the claim is closed or based on the 3 year average time that it takes to close claims. No element of financing is deemed present as the 3 year average time that it takes to close claims is considered as short term in nature. Cash is received in advance based on the prior year's actual claims closed and is recognized as deferred revenue.

Penalty income of double the current fee is charged to insurers for delays in resolving matters. Penalty income is recognized at a point in time when certain prescribed time has lapsed.

1.10 Interest income

Interest is recognised in the statement of comprehensive income on a proportionate basis, taking account of the principal outstanding and the effective interest rate over the period to maturity, when it is probable that such income will accrue to the company.

1.11 Post retirement medical aid benefit liability

Obligations for contributions to post retirement medical aid benefits are recognised as an expense in the statement of comprehensive income as incurred. The liability is actuarially valued at the discretion of management, at intervals of no more than three years on the projected unit credit method. Actuarial gains and losses are recognised in other comprehensive income.

1.12 Deferred income

Income received that relates to future financial periods is recognised as deferred income.

Insurers are billed in accordance with the claims that have been registered for the financial year and revenue is recognised based on the earlier of when the claim is closed or based on the 3 year average time that it takes to close claims, on a pro rata basis. As such, cases that have not yet been closed or which has been open for a period shorter than the 3 year average time that it takes to close claims, represents deferred income.

Accounting Policies

1.13 Change in accounting policy

The financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 9 Financial Instruments

In the current year, the company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs. IFRS 9 replaces IAS 39 Financial Instruments and introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) impairment for financial assets and 3) general hedge accounting. Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 01 January 2018. Accordingly, the company has applied the requirements of IFRS 9 to instruments that have not been derecognised as at 01 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 01 January 2018. Comparatives in relation to instruments that have not been derecognised as at 01 January 2018 have not been restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 01 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The measurement requirements are summarised below:

Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost.

Debt instruments that are subsequently measured at amortised cost or at fair value through other comprehensive income are subject to new impairment provisions using an expected loss model. This contrasts the incurred loss model of IAS 39.

The directors reviewed and assessed the company's existing financial assets as at 01 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards to their classification and measurement:

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on debt investments subsequently measured at amortised cost or at fair value through other comprehensive income, lease receivables, contract assets and loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply. In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the company is required to measure the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses. IFRS 9 also provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables in certain circumstances.

Accounting Policies

As at 01 January 2018, the directors reviewed and assessed the company's existing financial assets, amounts due from customers for impairment using reasonable and supportable information that was available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognised, and compared that to the credit risk as at 01 January 2017 and 01 January 2018.The result of the assessment is as follows:

Items existing on 01 January 2018 that are subject to the impairment provisions of IFRS 9:	Note	Credit risk attributes at 01 January 2018
Trade and other receivables	8	The company applies the simplified approach and recognises lifetime expected credit losses for these assets.
Cash and bank balances	9	All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable international banking institutions

Total additional loss allowance

The additional loss allowance is charged against the respective asset or provision for financial guarantee, except for the investments at fair value through other comprehensive income, the loss allowance for which is recognised against the reserve in equity. The application of the IFRS 9 impairment requirements has resulted in additional loss allowance of R - to be recognised in the current year (2017: R -).

Classification and measurement of financial liabilities

The application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

Reconciliation of the reclassifications and re-measurements of financial assets as a result of adopting IFRS9

The following table presents a summary of the financial assets as at 01 January 2018. The table reconciles the movement of financial assets from their IAS 39 measurement categories and into their new IFRS 9 measurement categories.

	Previous measurement	New measurement category
	IAS 39	IFRS 9
Trade and other receivables	2,048,896	2,048,896
Cash and cash equivalents	20,163,564	20,163,564

Application of IFRS 15 Revenue from contracts with customers

In the current year, the company has applied IFRS 15 Revenue from Contracts with Customers (as revised in April 2016) and the related consequential amendments to other IFRSs. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

IFRS 15 introduces a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Refer to note 1.1 - Critical judgements in applying accounting policies, for the evaluation of the impact on the company.

Selected notes to the Summary Financial Statements

2. Deferred income

Balance brought forward on open cases	3,870,913	4,338,940
Opening balance adjustment	-	7,000
Registered cases in current year	39,524,000	33,658,900
Total closed cases in current year	(37,556,933)	(33,864,427)
100% credit notes	(318,200)	(269,500)
	5,519,780	**3,870,913**

3. Revenue

Fee income	37,556,933	33,864,427
Penalty income	1,110,550	642,400
Credit note adjustments	(650,650)	(580,800)
Invoice adjustments	46,150	12,800
	38,062,983	**33,938,827**

4. Changes in accounting policy

The summary financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

The aggregate effect of the changes in accounting policy on the summary financial statements for the year ended 31 December 2018 is as follows:

Statement of Financial Position

Deferred revenue			
Previously stated	11,656,700	9,572,800	12,326,700
Adjustment	(6,136,920)	(5,701,887)	(7,987,760)
	5,519,780	**3,870,913**	**4,338,940**
Opening retained earnings			
Previously stated	6,650,191	7,023,316	7,269,530
Adjustment	547,118	2,170,081	4,915,048
	7,197,309	**9,193,397**	**12,184,578**

Profit or Loss

Net profit/loss			
Previously stated	(373,125)	(246,214)	(2,449,940)
Adjustment	435,033	(2,285,873)	4,915,048
	61,908	**(2,532,087)**	**2,465,108**
Revenue			
Previously stated	37,627,950	36,224,700	29,838,450
Adjustment	435,033	(2,285,873)	4,915,048
	38,062,983	**33,938,827**	**34,753,498**