



# ABASA

Investment Company Proposal  
07 September 2016

# ABASA's Vision

## Historical vision

ABASA was established in 1985 to promote the professional interests of Black persons engaged in the accounting profession. ABASA is committed and dedicated in this pursuit, and are driven by the need to ensure that every black accountant and aspiring accountant is able to realise their full potential and aspirations.

## Current vision clarified:

*ABASA exists to develop black (i.e. ACI: Africans, Coloured and Indian) professional accountants and aspiring accountants in order for them to meaningfully lead and participate in the economy and thereby advance the growth and development objectives of the African continent.*

- The following is the clear mandate of the organization:
- It exists for all black professional accountants and aspiring accountants and not only Chartered Accountants
- It exists to contribute towards addressing the challenges that limit access to the Accounting profession for black students at school and University level
- It exists to contribute towards addressing challenges faced by professional accountants and aspiring accountants in the profession/workplace
- It exists to ensure that beyond access, black professional accountants are capacitated to meaningfully participate in the economy and ultimately drive economic growth and socio-economic development in Southern Africa and for the continent at large.

# Problem Statement

- ABASA is exploring the opportunity for the establishment of an commercial vehicle for the funding and sustainability of the organization.
- There have been numerous discussions on the establishment of an commercial vehicle for ABASA, however, there has been no formal action to establish such an investment proposal for the organisation.
- ABASA is largely funded through donations; membership fees and funds raised by selling initiatives (corporates). In this regard, we have been reliant on the initiatives and corporates which as an organization have no control of. This limits the organization in the execution of its strategy and its mandate of transformation within the profession.
- ABASA, through its network has an opportunity of being a direct investor in transactions that generate funding for the organization. This is aligned to our black peers such as BMF/AWCA whom have largely taken advantage of investment opportunities through a separate commercial company that generates funds for the members.

*The rest of this proposal document sets forth the proposal structure.*

# Proposal

- Through a discussion with the Past Presidents and aligning to the newly established ABASA strategy the following proposal was put forward for a sustainable funding model for ABASA:
  - *Establish a Commercial Company (For Profit Company);*
  - *ABASA will hold 49% of the shares the remaining shares (51%) will be member based;*
  - *Min investment requirement of R5k max R150k. The minimum contribution will ease the administrative burden and the maximum will ensure that no member derives disproportionate benefit;*
  - *ABASA Investco will aim to raise at least R10m via prospectus exclusive to members in good standing.*
  - *Additional funding will be raised as preference shares from financial institutions e.g banks, PIC, IDC etc;*
  - *All members in good standing will be eligible to invest. Broad based ownership will be achieved through trusts/other vehicles.*
  - *The Proposed Governance :*
    - The ABASA Investco will be kept to max 5 board members;
    - 2 members appointed by ABASA and 3 members appointed by members;
    - The company will feed off the existing infrastructure of black owned investment companies for deal flow. In this way the overheads of ABASA Investco will be minimized. A maximum of 20% of funds raised from members will be used to cover overheads;
    - The governance policy will be developed to align to ABASA (NPC);
    - Dividends will be paid based on profitability, capital requirements of the business and liquidity. The nature of the business is such that during the first 7 years the investment portfolio is developed and loans are serviced and repaid. This means that dividends are typically paid after 7 years;
    - There will be a lock-in period of 7 years during which shares will not be traded;
    - The appointed Board of Directors will explore establishing a suitable trading platform at the end of the lock in period for members;
    - The Appointed Board of Directors will discretion to explore a mechanism for new members to participate after a period of 3 years.

# Benefits

- Value add for ABASA membership by all members eligible to invest.
- Fits within our ABASA strategy to “**Capacitate black accountants to meaningfully participate in the economy and ultimately drive the economic and socio-economic growth agenda**” this is supported by the objective of this pillar “**Equip black accountants through practical and sound advice on personal financial management and wealth creation** “ ( refer to strategy document Goal 3)
- Increase in ABASA infrastructure for the execution of its mandate.
- Black Professionals through ABASA will actively drive economic participation through the investments.
- ABASA will be flexible to use either NPO and or Commercial vehicle depending on the specific transaction requirements of the transaction to take advantage of the ‘free shares’ offerings.

# Companies Act Requirement

- Through Consultation with Norton Rose, the following has been achieved.
- The name 'ABASA Investments Proprietary Limited' was chosen and subsequently reserved with the Companies and Intellectual Property Commission (CIPC) on 29 June 2016. The name reservation expires on 29 December 2016.
- In discussions for the establishment of the Investment Company, the view that incorporating the Investment Company will constitute an 'offer to the public' as contemplated under section 95 of the Companies Act 71 of 2008 (the Act).
- Section 95 of the Act defines an "*offer to the public*" very widely, stating that this includes an offer of securities to be issued by a company to any section of the public, whether selected:
  - (a) as holders of that company's securities;
  - (b) as clients of the person issuing the prospectus;
  - (c) as the holders of any particular class of property; or
  - (d) in any other manner.

If the offer to the ABASA Members is construed as an offer to the public, this means it will be subject to a substantial body of restrictions and requirements, most notably the requirement to issue a prospectus in terms of sections 100 and 102 to 111 of the Act

# The following options were explored :

- The following options based on the companies Act have being described :

## *Option 1 :*

entering into a 'Company Incorporation and Subscription Agreement'. The solution involves steps :

- (i) **Step 1** – Prior to incorporating the Investment Company, ABASA NPC to have discussions with its members to explain the purpose of the Investment Company to be formed and to identify those members who are keen to become shareholders in such company;
- (ii) **Step 2** - ABASA NPC and those members who are keen to become shareholders in the Investment Company to enter into a 'Company Incorporation and Subscription Agreement' to incorporate the Investment Company and for each of them to subscribe for shares in the Investment Company.
- (iii) The tailored MOI and shareholders agreement for the Investment Company will be finalised and adopted as part of the transaction to incorporated the Investment Company.

# The following options explored continued :

## *Option 2 :*

falling within an exception to section 95 of the Act

(a) This solution entails complying with the provisions of section 96 of the Act.

*Section 96 of the Act sets out certain instances when an offer is not deemed to be 'an offer to the public'. The only exception in this section of the Act which could be applicable in this instance, if the restrictions are acceptable, is section 96(1)(g).*

*In addition, Regulation 45 of the Companies Regulations provides that*

*(i) the minimum time required for the purposes of section 96(1)(g)(v) is 12 months; and*

*(ii) the threshold required in terms of section 96(2)(a) is R 1 million*

# The following options explored continued :

Conclusion :

*The option selected was Option 1 is recommended.*

*This key principle allows ABASA that, prior to the Investment Company being formed:*

- (i) the ABASA NPC members are informed of the opportunity to subscribe for shares in the Investment Company; and*
- (ii) agree in principle to subscribe for shares in the Investment Company once it is incorporated.*

# Structure



- *ABASA NPC will hold 49% of ordinary shares.*
- *ABASA NPC has been established in accordance with the Companies Act.*

- *The trust will hold 51% of ordinary shares.*
- *The trust will hold 100 % of the preference shares.*
- *The ordinary shares and preference shares will be linked.*

# Proposed timeline

## 01 Dec 2016

- Proposed Investment Co & ABASA Investment Trust expected be completed.
- Complete Governance of NewCo

## 30 Nov 2016

- Cut off offer to members and settlement of pledges obtained.

## 22 Sept 2016

- Present at ABASA AGM to explain the Investment proposal and the process of participation.

## 07 Sept 2016

- Met with Patrons/presidents to explain changes incorporated and obtain pledges.

## 25 Aug 2016

- Met with Pass Presidents and Patrons to obtain comments and inputs.

# QUESTIONS

Questions ?

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