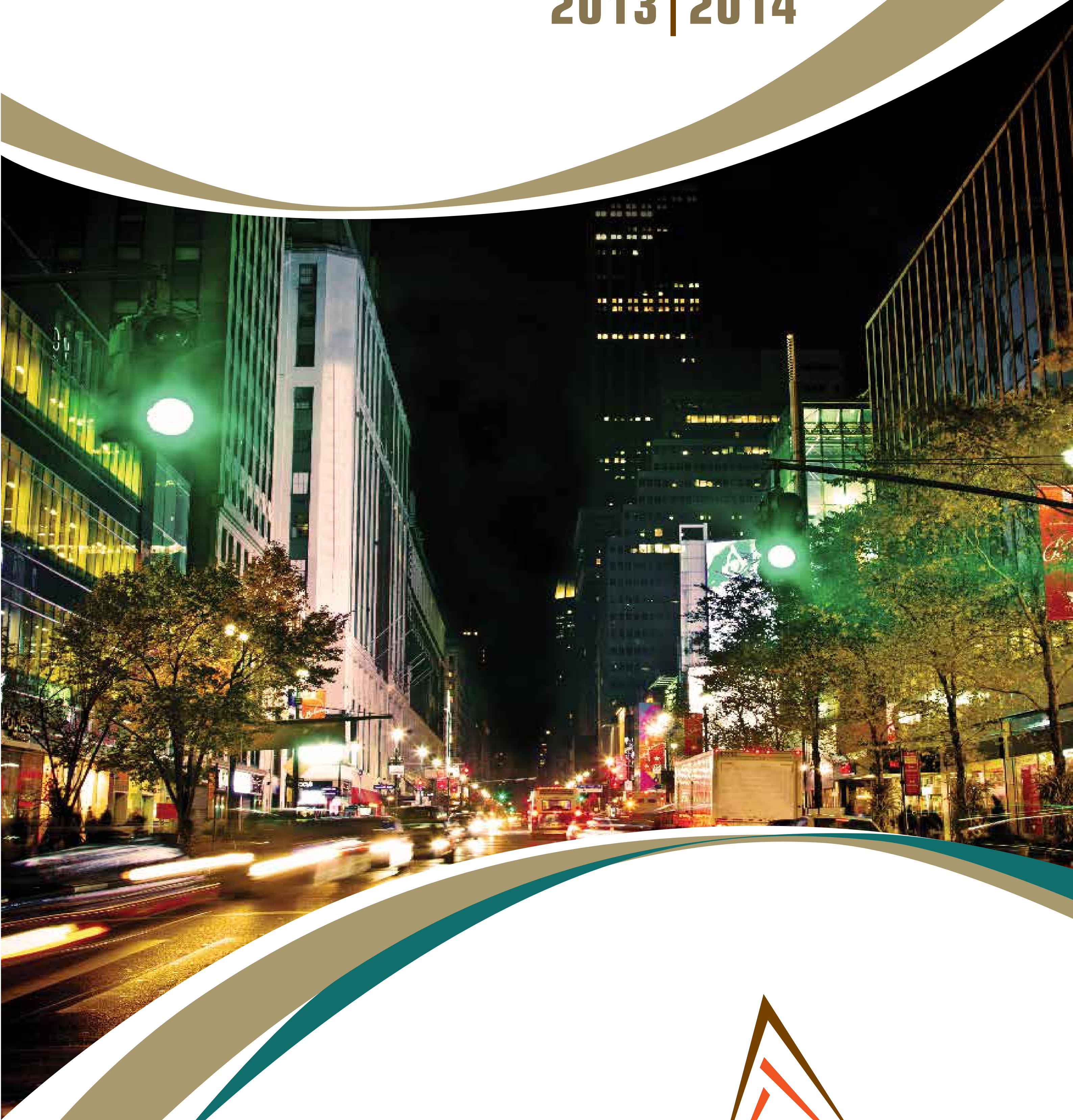
# ANNUAL REPORT
## 2013 | 2014



ESTATE AGENCY AFFAIRS BOARD
OF SOUTH AFRICA

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OF SOUTH AFRICA

# ANNUAL REPORT 2013/2014

Report in terms of section 11 (1) of the Estate Agency Affairs Act, 1976
(Act 112 of 1976)

Annual Report concerning the activities of the Estate Agency Affairs Board for the year ended 31 March 2014, in accordance with the requirements of the Public Finance Management Act, 1 of 1999, as amended.

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# GENERAL INFORMATION

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|---|---|
| Nature of business and principal activities | The Estate Agency Affairs Board regulates the estate agents industry in terms of the Estate Agency Affairs Act 1976 (Act 112 of 1976) |
| Legal form of Entity | Schedule 3, Part A Public Entity in accordance with the Public Finance Management (Act 1 of 1999) |
| Registered Office | Estate Agency Affairs Board<br>63 Wierda Road East<br>Wierda Valley<br>Sandton, Johannesburg<br>2196 |
| Postal Address | Private Bag X10<br>Benmore<br>2010 |
| Contact Numbers | Tel: +27 087 285 3222<br>General Fax: + 27 11 880 9831/9725 |
| Website | www.eaab.org.za |
| Email | eab@eaab.org.za |
| Auditors | Ngubane and Co (Johannesburg) Incorporated<br>Chartered Accountants (SA)<br>Registered Auditors |
| Bankers | ABSA Bank Limited<br>Nedbank Limited |

# STRATEGIC OVERVIEW

The Estate Agency Affairs Board ("EAAB") was established in 1976 in terms of the Estate Agency Affairs Act, 112 of 1976 ("the Act"), with the mandate to regulate and control certain activities of estate agents in the public interest.

The EAAB regulates the estate agency profession by ensuring that all persons carrying out the activities of an estate agent as a service to the public are registered with the EAAB. A fidelity fund certificate, which is to be renewed each year, is issued as evidence of such registration and confirmation that such person is legally entitled to carry out the activities of an estate agent.

A core function of the EAAB is to manage and control the Estate Agents Fidelity Fund in the interest of the public and estate agents registered with the EAAB.

## THE MANDATE OF THE EAAB

### The primary mandate of the EAAB

(a) Regulate, maintain and promote the standard of conduct of estate agents having due regard to the public interest;
(b) Issue fidelity fund certificates to qualifying applicants;
(c) Prescribe the standard of training of estate agents;
(d) Investigate complaints against estate agents and institute disciplinary proceedings against offending estate agents where required; and
(e) Manage and control the Estate Agents Fidelity Fund.

### Secondary mandate of the EAAB

The EAAB is the Supervisory Body of the estate agency profession pursuant to the Financial Intelligence Centre Act, and is obliged to take all steps required to prevent, alternatively identify, and report on anti-money laundering and terrorist financing activities.

## VISION

To be a world class regulator that is responsive to and surpasses its stakeholder expectations.

We will know that this is achieved when:

- Sakeholders are satisfied;
- EAAB is accessible in all provinces;
- EAAB and industry profile is representative of South African demographics;
- Stakeholders have confidence in registered estate agents;
- EAAB is financially sustainable;
- EAAB's employees are competent;
- EAAB is a systems and process-driven organisation; and
- We have professional and registered real estate practitioners.

## MISSION

Our mission is to ensure that the integrity of the transaction between the estate agent and consumer is of a high standard by regulating, protecting, guiding and enhancing the conduct of the real estate agents' profession in South Africa through:

- **Registration:** registration and issue of fidelity fund certificates to qualifying applicants;
- **Education:** prescribing and monitoring the standard of training and practical experience required by estate agents;
- **Disciplinary:** investigating complaints on behalf of consumers against estate agents and instituting disciplinary proceedings against offending estate agents;
- **Inspection:** conduct regular inspection of estate agencies. Maintenance and promotion of the standard of conduct of estate agents, having due regard to public interest;
- **Claims:** management, preservation and control of the Estate Agents Fidelity Fund;
- **Anti-money laundering:** to act as the FIC supervisory body for the estate agency sector.

## VALUES

After comprehensive consultation and interaction with relevant stakeholders, both internal and external, within the estate agency environment, it was agreed that the following values will underscore the Board's behaviour as it strives to achieve the ideals encapsulated in its vision and mission, namely:

- **Integrity:** the quality of adhering to the highest moral principles and professional standards;
- **Responsibility:** the authority to make decisions independently and to be accountable for actions taken;

# STRATEGIC OVERVIEW...continued

- **Respect:** to demonstrate courtesy and regard for one another and for all stakeholders;
- **Excellence in service delivery:** to exceed client expectations in service delivery;
- **Communication:** the effective exchange of information in such a manner that there is a mutual understanding;
- **Participation:** the involvement of all relevant stakeholders in what the EAAB does;
- **Trust:** building and maintaining the highest levels of trust and respect in EAAB engagements and interactions with all stakeholders and employees.

## STRATEGIC OBJECTIVES AND GOALS

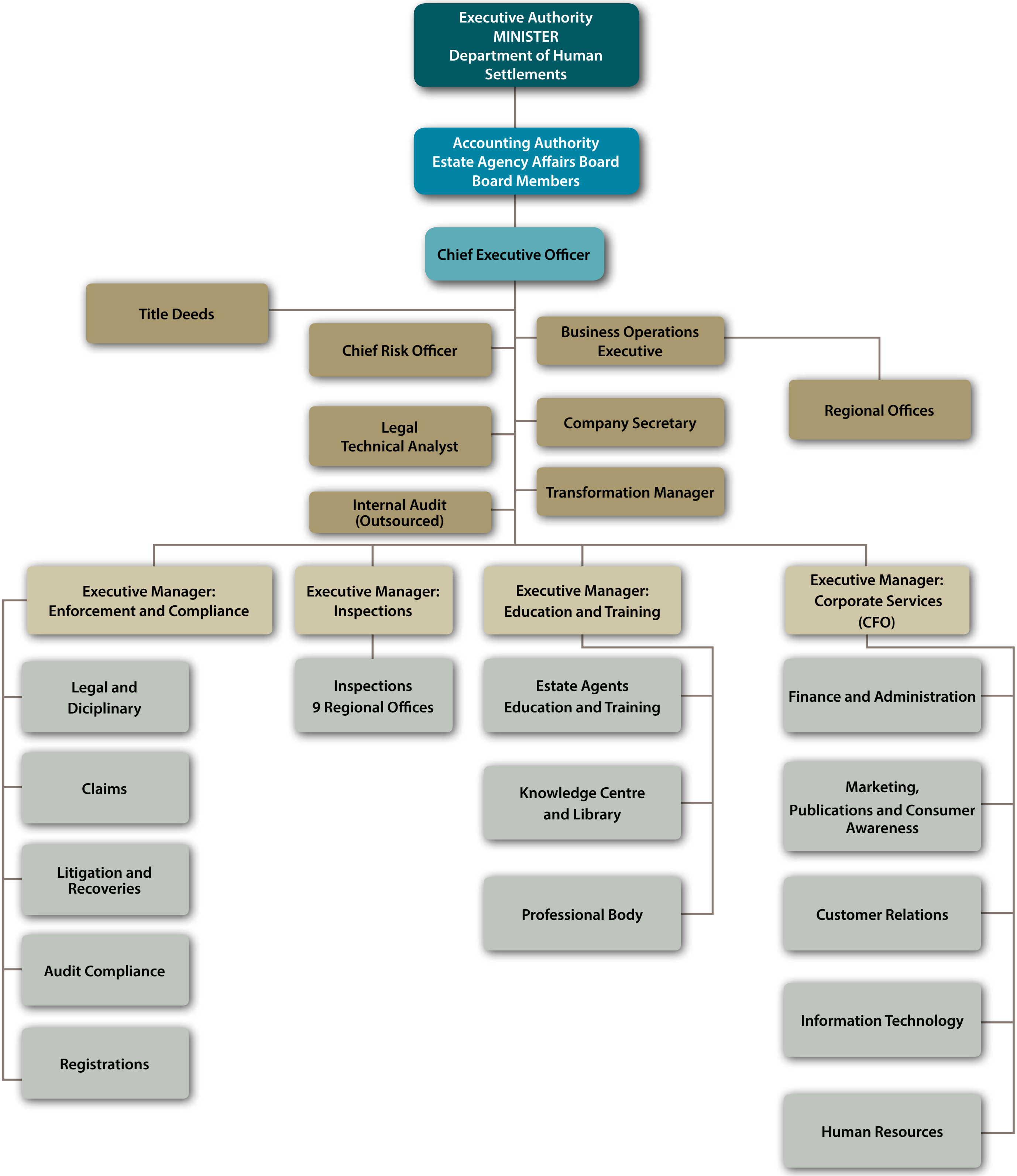
- To improve compliance to the Estate Agency Affairs Act;
- To increase consumer education by inculcating an awareness of the EAAB and its role and services;
- To effectively and efficiently manage the EAAB;
- To effectively and efficiently control and manage the Fidelity Fund; and
- To build capacity of key stakeholders.

## LEGISLATIVE MANDATES

The EAAB is a schedule 3A public entity in terms of the Public Finance Management Act, 1 of 1999. The EAAB must always remain aware of, and comply with, legislation impacting on its functioning. Other relevant legislation includes, but is not limited to:

- The South African Constitution;
- The Estate Agency Affairs Act, 112 of 1976;
- The Preferential Procurement Framework Act of 2000;
- The Financial Intelligence Centre Act, 38 of 2001;
- The Labour Relations Act, 66 of 1995;
- The SA Qualifications Authority Act, 58 of 1995;
- The Skills Development Act, 97 of 1998;
- The Promotion of Administrative Justice Act;
- The Promotion of Access to Information Act;
- The National Credit Act; and
- The Consumer Protection Act.

# ORGANISATIONAL ENVIRONMENT



# BOARD MEMBERS

**Front row (from left to right): Ms Jabhile Mbele, Mr Andile Ben-Mazwi, Ms Maletsatsi Maceba-Wotini (Deputy Chairman),**
**Back row (from left to right): Ms Pat Lebenya-Ntanzi, Mr Leo Mlambo, Dr Fazel Randera, Adv. Tshepo Maake, Mr Bethuel**

Prof. Kwandiwe Kondlo (Chairman), Mr Mputumi Bubele Damane,Ms Jill Corfield.
Nsibande, Mr Sikander Kajee, Mr Rhulani Marivate.

# EXECUTIVE MEMBERS

**From left to right:** **Mr Jimmy Baloyi (Executive Manager: Enforcement and Compliance), Advocate Jan Tladi (Legal Technical**
**Mr Bryan Chaplog (Chief Executive Officer), Mr Nkululeko Ndebele (Company Secretary), Mr Silence**

Analyst), Mr Clive Ashpol (Executive Manager: Education and Training), Ms Dineo Mphahlele (Executive Manager: Inspections), Mmotong (Chief Financial Officer (Acting), Mr Nikita Sigaba (Chief Risk Officer).

# CHAIRMAN'S REPORT

Professor Kwandiwe Kondlo
Chairman: EAAB

The year under review has seen the EAAB continue to make improvements in its function as regulator of the Estate Agency Industry. Having for a period operated without a Chief Executive Officer, the Board appointed Mr Bryan Chaplog to the position in October 2013. Although he had been acting in the position for a considerable time the appointment nonetheless had the effect of stabilizing the institution and has had positive outcomes in consumer sentiment. There can, of course, be little doubt that the unfavourable economic situation prevalent during the period under review also presented very real challenges both to the EAAB as well as to estate agency sector stakeholders. I am satisfied, however, that the EAAB remains well placed to act as an efficient and effective sector regulator even during the most challenging of times.

I firmly believe that accelerated progress was nevertheless achieved by the organisation in actualising its vision of being a world class regulator which is responsive to, and indeed surpasses, the needs and expectations of its stakeholder. During the period under review the EAAB continued to make steady progress, even if from a relatively low base, in the imperative of redressing the past, building the future and, also, guiding the real estate sector towards professionalism. This, no doubt, augurs well for the future.

The EAAB, during this period, focused significant energy and resources on the actualisation of such critical success factors as:

- advancing the professionalism of the estate agency sector and ensuring that it was viewed as a career of choice rather than as 'a job of last resort';
- providing excellent career preparation and training for new entrants into the sector and, in particular, members of previously disadvantaged communities, women and the youth;
- increasing consumer protection;
- promoting quality standards and continuous performance improvement both internally and externally;
- encouraging maximum levels of compliance;
- building awareness and appreciation for the sector regulatory value proposition of the EAAB and enhancing the EAAB's brand contribution; and
- ensuring that the EAAB was sufficiently resourced and had the necessary capacity to successfully achieve its statutory regulatory mandate.

I am satisfied that estate agency practitioners and the consumers alike continue to repose the maximum faith and trust in the EAAB as the statutory regulator of the sector. Consumers, especially, will henceforth be able confidently to rely on advice sought and received from professional estate agents as a result of the higher entry level standards which are now applicable.

During the period under review members of the Board of the EAAB were again encouraged to interact, both formally and informally, with all sector professionals as well as other interested stakeholders. Constructive engagement, in fact, represents a critical aspect in achieving positive outcomes for consumers. Both my fellow Board members and I were, thus, privileged to be able to determine at first-hand the commendable levels of dedication, commitment and professionalism evinced by estate agency sector professionals. We were, moreover, afforded the opportunity to discuss issues of mutual interest and concern with, and to gauge the feelings of, sector members and stakeholders with special reference to current and envisaged EAAB strategies, programmes and initiatives. This interaction together with these interventions, in addition, provided a valuable opportunity for the EAAB to determine the prospects for further growth and improvement in the future. I am confident that the EAAB will continue with these resolute efforts to meet with industry professionals and stakeholders during the following financial year and continue the dialogue that has already been initiated. This course of action proved to be extremely beneficial during the period under review. I steadfastly believe that extensive sector consultation and transparency must continue to underlie and inspire all major decisions and strategic initiatives of the EAAB as this will go a long way in ensuring its long-term success and credibility.

The EAAB, furthermore, continues to make a significant contribution to the international real estate sector through its membership of the Association of Real Estate License Law Officials ("ARELLO"), an international organisation of real estate regulators. Through its long-standing involvement with ARELLO, the EAAB has been able to remain in the forefront of international real estate regulatory developments and sector best practices. The EAAB has, indeed, achieved a position where it presently enjoys noteworthy respect from its international counterparts. The EAAB, through its international endeavours, has also been instrumental in promoting South Africa as a safe and secure investment destination where property is not only an attractive option but is dealt with in a well regulated environment.

The EAAB, during the period under review, continued to perform its statutory obligations as the Supervisory Body of the estate agency profession in accordance with the enhanced requirements of the Financial Intelligence Centre Act. While the performance of this function has severely tested the EAAB's finite resources, the EAAB has continued not only to cooperate fully with the Financial Intelligence Centre but also efficiently and effectively implements the terms of the Memorandum of Understanding concluded between the two organisations. This has inevitably resulted in the reinforcement of the EAAB's risk management capability to the benefit of the estate agency sector. I am, in conclusion, satisfied that the EAAB remains well placed in, and is committed to, supporting both sector stakeholders and consumers alike. The EAAB, by so doing, ensures the maintenance of enduring confidence in the estate agency environment, which plays such an important role in the South African economy as a whole.

I would like to express my grateful thanks and appreciation to my fellow Board members for the diligent work and dedication in ensuring overall integrity within the Board itself and in the sector as a whole. This they have consistently shown in discharging their often onerous, and seldom acknowledged functions as Board members. In all of my interactions with Board members it has been my experience that they have always acted with dignity and professionalism and have been only too eager to impart their specialised knowledge, skills and expertise for the betterment and advancement of the organisation.

I must, in addition, acknowledge that for all the diligent work that Board members have accomplished during the period under review, much other work is undertaken and completed, frequently behind the scenes, by the EAAB management and staff. Many of the fine achievements of the Board would not have been possible without the on-going participation of the committed and dedicated members of staff operating under the active leadership of the Chief Executive Officer, Mr. Bryan Chaplog. I would like to thank EAAB management and staff for a job well done in the day-to-day execution of the operational functions and activities of the EAAB.

I would, finally, express my heartfelt appreciation and gratitude to the two former Ministers of Human Settlements, Mr Tokyo Sexwale and Ms Connie September as well as the Director General and staff of the DHS for their active commitment to, and continued support of, the EAAB. Further may I take this opportunity to welcome the new Minister, Ms Lindiwe Sisulu, and assure her of the EAAB's intent and commitment to continue serving under her leadership.

**Professor Kwandiwe Kondlo**
**Chairman: Estate Agency Affairs Board**

# CHIEF EXECUTIVE OFFICER'S REPORT

Bryan Chaplog
EAAB Chief Executive Officer

The Estate Agency Affairs Board (EAAB) has gone through a successful process of re-inventing itself in its vision to becoming a world-class regulator. The collaborative efforts of the Honourable Minister of Human Settlements, Tokyo Sexwale and Honourable Minister Connie September, the support and supervision of the Department of Human Settlements under the leadership of the Director General, Mr Thabane Zulu, and the strategic guidance of the EAAB Board, has set the EAAB on a path to becoming a world-class regulator of the real estate sector and the profession of estate agents in the public interest.

The EAAB would like to thank the two Ministers' of Human Settlements, for the strategic leadership they gave during their terms and for their commitment to the real estate sector and for supporting the EAAB, while ensuring that the EAAB is restored to its rightful place as regulator of the real estate profession.

The EAAB is most honoured to welcome the new Honourable Minister of Human Settlements, Ms. Lindiwe Sisulu, who took office on 25 May 2014 and we look forward to a healthy constructive relationship that is mutually beneficial and harmonious as she leads us into a new era in the best interest of the public..

Mindful of their individual contributions, the EAAB extends its sincere gratitude to all members of the EAAB Board, whom are of high calibre and who are leaders in their specific sectors and professions for equipping the EAAB in becoming a world-class regulator for the real estate sector. The EAAB would further like to extend their thanks to the EAAB Chairman, Professor Kwandiwe Kondlo and the Deputy Chairman, Ms. Maletsatsi Wotini, who is excellent at providing leadership to the Board and the EAAB as an organisation.

Property ownership is a constitutional right that all South Africans should achieve in their lifetime. Property ownership does not only provide shelter but enable access to capital and various income streams and thus directly give access to the main stream economy. South Africans who unlocks the economic benefits related to property can provide a better life for themselves and their future generations. Property ownership should be the one constitutional right that every South African achieves in life's journey to be liberated from the shackles of poverty.

The legislative review of the Estate Agency Affairs Act 112 of 1976 has made significant progress during the past financial year and we are confident that the new Property Practitioners Bill will receive valuable inputs from all stakeholders as soon as the Bill is published for public comment. It is hoped that all stakeholders would take this opportunity to participate in this phase and submit their considered input to the bill so that we could end up with legislation that has taken into consideration the inputs of all and thus creates a more conducive regulatory environment going forward. The bill is aimed to address all challenges that the property profession has faced in recent years so that it will provide legal certainty in the areas where the current Act has fallen short. It is believed that the new bill will pave the way for the real estate sector to be an economic driver that operates more effectively and efficiently.

The core mandate of the EAAB remains the following five key regulatory pillars, namely Registration, Education, Inspections and Investigation, Disciplinary and Claims and its industry supervisory role in terms of the Financial Intelligence Centre Act. The EAAB will also respond to the call from South Africans to eradicate the backlog on title deeds in the Reconstruction and Development Programme (RDP) and Breaking New Ground (BNG) markets and to increase its focus on housing consumer education. The EAAB is working actively with the Department of Human Settlements and our sister entity, the National Home Builder Registration Council (NHBRC) towards the establishment of an academy that will better serve the training needs of those who operate in the Human Settlements environment.

The property sector has seen a renewed focus toward compliance with the Act and this is largely due to the enforcement activities of the EAAB and the awareness that was created surrounding highly publicised cases relating to the misconduct of certain estate agents, managing agents and auctioneering houses over the last few years. We used our strategic alliances with other public regulatory entities and stakeholder representative bodies to extend the regulatory mandate of the EAAB and thus we could better serve the needs of property consumers in terms of our consumer protection mandate. The strategic alliances and MOU's with the South African Police Services (SAPS), South African Revenue Services (SARS), the Independent Regulatory Board for Auditors I(RBA), South African Institute of Chatered Accountants (SAICA), National Consumer Commission (NCA), Financial Services Board (FSB), Banking Association of South Africa (BASA), Service SETA, South African Property Owners Associatian (SAPOA), National Property Forum (NPF), National Association of Managing Agents (NAMA), Real Estate Business Owners South Africa (REBOSA), Black Conveyancers Association (BCA), the Financial Intelligence Centre (FIC), National Housing Finance Corporation (NHFC) and others have continued to increase compliance by estate agents generally and provide regulatory assurance to property consumers.

### Registrations and renewals of Fidelity Fund Certificates

The EAAB continues to review and introduce mechanisms to improve its operational processes and the issue of Fidelity Fund Certificates for both new registrations and renewals. Such review areas included capacity requirements, inter-departmental liaison and system amendments. The EAAB has an online MyEAAB portal available for estate agents to transact. A number of transactions are performed through this online platform that has been made available for the convenience of estate agents and the EAAB continues to create awareness of this improved process.

It should however be noted that Fidelity Fund Certificates are issued to all principal estate agents and estate agency firms that comply fully with audit compliance requirements. The issue of Fidelity Fund Certificates for the year under review was less due to blocks that was placed on estate agency firms that did not comply with the audit requirements as per the EAA Act. This has affected the issue of Fidelity Fund Certificates to estate agents within the employ of the estate agency firms where audit non-compliance occured. Most estate agents that were affected by this were issued with their Fidelity Fund Certificates within a period of 3 months.

### Education and training

The Education and Training Department is tasked with ensuring both the professionalisation and the transformation of the estate agency sector by fully implementing the educational dispensation for estate agents introduced by the Standard of Training of Estate Agents Regulations, promulgated on 4 June 2008, with effect from 15 July 2008.

In terms of the Education Regulations, all registered estate agents are required to be certificated against the appropriate NQF Real Estate qualifications. The Quality assurance of these qualifications, however, vests in the Services SETA. Estate agents are also required to undergo the Professional Designation Examination for PDE 4 and PDE 5 and Continuing Professional Development (CPD).

### Disciplinary Inquiries

Due to the increased instances of non-compliance by estate agents and, in particular the large number of entities that either failed to submit Audit Reports at all or, if they did, submit the reports late for the financial years 2011/12 and 2012/13 respectively, it became imperative for the EAAB to appoint more disciplinary committee members in order to put in place sufficient committees of inquiry to effectively and efficiently deal with matters that need to be taken before various disciplinary committees. The Disciplinary department continues to receive complaints from members of the public relating to either failure on the part of estate agents to comply with the provisions of Section 32 of the Act or misappropriation of trust funds as well as the general contravention by estate agents of the code of conduct. The increment in the committees of inquiry will enable the EAAB to ensure that matters that are illegible to be placed before the disciplinary committees and that they are dealt with expeditiously. Although the Compliance Department has been adequately capacitated the weight that was placed on the resources by the sudden rise in the non-compliance with audit reports regulations by more than 4000 entities, necessitated that further temporary staff were appointed to deal with the resultant backlog as well as new complaints, including whistle blower reports, that the EAAB continues to receive.

The Compliance Department is also in the process of continuously reviewing existing policies to ensure maximum and efficient service delivery to members of the public. As and when new sections of legislation that affect the real estate sector come into operation, it ensures that such legislations are communicated to the industry role players in order to alert them accordingly. The intervention of the Compliance Department has resulted in a number of applications being made to the relevant divisions of the High Court in order to interdict guilty members of the industry from operating as estate agents by placing the administration of their trust accounts under the control of a curator bonis in order to ensure the just and fair distribution of those funds to the individuals entitled thereto. This exercise has gone a long way towards ensuring that the fidelity fund is protected and its liquidity is guaranteed. In some instances the South African Police Services have been approached and criminal charges have been laid against estate agents who were found to have misappropriated trust funds. Therefore criminal cases are outstanding in various Commercial Crimes Courts. With the new legislation in the pipeline, the disciplinary processes and the general regulatory environment of the EAAB will change for the better.

**Fidelity Fund and Claims**

The management and control of the Estate Agents Fidelity Fund is integral to the activities of the Fidelity Fund. Over the last six years the capital and reserves of the Fidelity Fund had increased from 557 million in the 2008/09 year to R571 million presently.

**Operating systems, procedures and corporate governance**

Both Board members and management of the EAAB, as an organ of state, continue to take the issue of effective operational systems and procedures, including the precepts of good corporate governance, most seriously.

The EAAB Board has undergone changes within the year under review but none of the changes have had a negative effect on the Board's ability to execute its fiduciary responsibilities. The EAAB's outsourced internal audit performed a review of all operational and governance processes. It was therefore gratifying to receive an assurance report from the internal auditors that the EAAB's internal control environment was adequate. This assurance from the internal auditors came as no surprise as the EAAB again received an unqualified report for the year under review.

The Whistle-blower hotline remains effective and instrumental in revealing unscrupulous estate agents. This process has led to the prosecution of non-complying estate agents and elevated the EAAB's image as a serious regulatory enforcer.

**Stakeholder management**

The EAAB continues in its communication endeavours of communicating with estate agents, keeping them abreast of legislative changes and re-enforcing compliance in terms of code of conduct, audit compliance and the education regulations in terms of the EAA Act. For the period under review, once again the EAAB was extremely successful in its conduction of its annual stakeholder roadshows as well as information made available to estate agents on the EAAB's website and in the quarterly publication of the AGENT magazine. Our successful annual stakeholder roadshows for 2014 has reached new attendance levels and we are now having to book more days in large venues to accommodate the over subscription of delegates.

The EAAB also engages with consumers in our face-to-face awareness workshops which are held around the country advising consumers of the function of the EAAB and the importance of always using a registered estate agent for all their property transactions in the selling, buying and rental space and goes further to provide information that estate agency as a profession is one that they can consider. The EAAB will however be broadening its consumer awareness initiatives during the next financial year.

### Estate Agency Sector Transformation

The EAAB will continue to focus on transforming the property sector and influencing the spacial demographics of the South African property landscape. The launch of the exciting "One Learner - One Estate Agency" programme has paved the way to introduce 10000 new intern estate agents into the profession over a three year cycle. This will be the largest transformation initiative that the EAAB will be focusing on and it is most pleasing that we have the support of the estate agency profession, Services SETA and other stakeholders to ensure that this will be a success. Most of the large estate agency firms have pledged to the programme as well as many small and medium estate agency firms.

The "One Learner – One Estate Agency" Programme was officially launched by the former Minister of Human Settlements on the 24th of April 2014 in Rosebank. A Technical Committee comprising of officials from the EAAB and the Services SETA was established to deal with the strategic operational aspects of the Programme. The EAAB is working with the Services SETA to ensure the success of the programme.

The EAAB continues in its promotion endeavours of transformation of the real estate sector and is committed to participate actively in the appropriate transformation initiatives to ensure that the property sector in general reflects the demographics of South Africa.

### Property Practitioners Bill, 2014

The Property Practitioners Bill was revised to incorporate comments received from Cabinet and stakeholders. The Bill will continue to follow the legislative review process that includes reviews from the Board, the Department of Human Settlements, the Office of State Law Advisor, the office of the Minister, Cabinet and Parliament respectively. The EAAB encourages all stakeholders to submit considered input on the bill once it is published for public comment.

### Consumer protection matters

Considerable progress has been made regarding ways of eliminating business practices by certain Home-Owners Associations (HOA's) of charging "sales commission" on sale of properties in estates and granting exclusive mandates to certain estate agents/agencies at high cost in the form of "accreditation fees" thereby infringing on a consumer's right of choice when buying or selling property. Some of these practices are also causing contraventions of the EAAB code of conduct and some practices exclude other estate agents from their right to practice and operate in many estates managed by the HOA's. The EAAB has consulted constructively with the various stakeholders including credible representative bodies of HOA's, representative bodies of estate agents and estate agencies, other government bodies with the view of working together against those HOA's and estate agents who perpetuate business practices that is not in the best interest of consumers and the sector.

To avoid future unintended consequences and misalignment between the Property Practitioners Bill and the Consumer Protection Act, it was agreed that the National Consumer Commission will provide comments on the Property Practitioners Bill to ensure that it is aligned to the Consumer Protection Act. After the promulgation of the Bill into law, the National Consumer Commission will support the EAAB in applying for exemption in terms of the Consumer Protection Act in the areas where the act requires such exemption.

### The Future

The EAAB will within the Department of Human Settlements, continue to integrate its mandate with the overall mandate of the Department of Human Settlements. It will place more focus on housing consumer education and working with all stakeholders to ensure more effort is directed at our vulnerable housing consumers nationally. The eradication of the title deed back log will also be a focus area for the EAAB for the next 5 years. The EAAB will be more relevant to the property sector when it plays a project management role in ensuring that all outstanding title deeds are issued to the intended beneficiaries. Having a title deed is one of the main mechanisms to access main stream economy and it ensures security of tenure and dignity that only property ownership provides.

**Acknowledgements**

The overall success and achievement of the EAAB is understandably due in no small measure to the continued support received from the Executive Authority and the EAAB Board in its leadership, support and guidance of the EAAB. The foundation to becoming a world-class regulator of the real estate sector is continually been laid providing the organisation with a solid base in which to build and continue its operational duties and functions. It is also to be acknowledged that the EAAB in its engagements with its stakeholders, gains further insight on where improvements can be made to its daily operations and I would like to thank estate agents by and large for their continued contribution in this regard. I would also like to thank the EAAB executives and management for their continued diligence and commitment and the EAAB staff for building a better improved organisation that is evolving into a world class regulator.

**B S Chaplog**
**Chief Executive Officer**

# OPERATIONAL OVERVIEW

### Introduction

The mandate of the Estate Agency Affairs Board (EAAB), which is set out in section 7 of the Estate Agency Affairs Act, 112 of 1976 ("the Act'), defines the following five essential regulatory pillars of activity, namely:

(a) The registration of estate agents and the renewal of fidelity fund certificates;
(b) The education and training of both existing estate agents and new entrants in to the profession;
(c) The conduct of disciplinary investigations and hearings;
(d) The conduct of inspections to ensure compliance;
(e) The consideration of claims lodged against the Estate Agents Fidelity Fund.

## COMPLIANCE

### Registrations and Renewals of Fidelity Fund Certificates

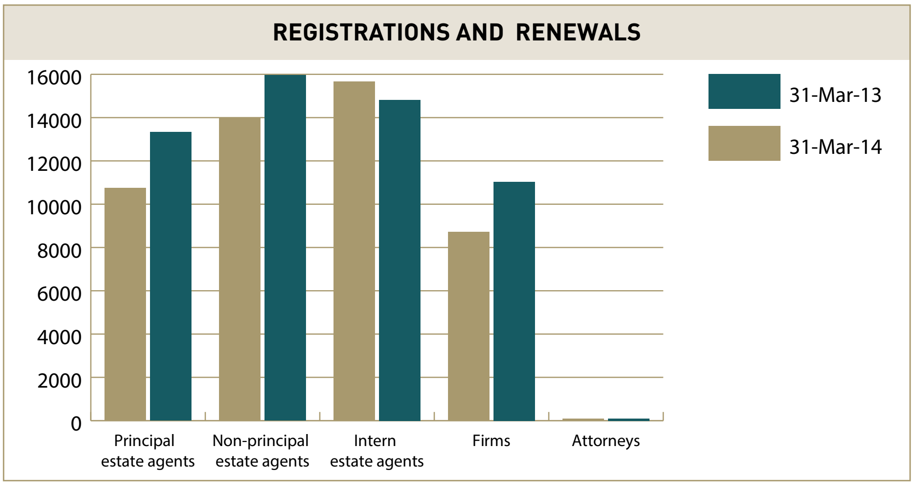
The EAAB has comprehensively reviewed its operational processes with a view to improving, and making more effective, the processes for the issuing of valid fidelity fund certificates (FFC's) in respect of both new registrations and renewals. Areas specifically reviewed include, amongst others, capacity requirements, closer inter-departmental liaison and system amendments.

The EAAB has taken all steps necessary to ensure that the turnaround time for the issuing, and renewal, of fidelity fund certificates has been significantly reduced and is presently exploring all other feasible avenues to reduce turnaround times yet further, (by, for example, the implementation of an on-line registration process). Despite the very real challenges in resolving and attending to registration related queries, the recent creation of a Customer Relations Department has resulted in the allocation of additional human resource to expedite the resolution of queries and further reduce turn-around times.

The entire Fidelity Fund Certificate renewal process has been re-engineered to ensure not only that renewal notices are timeously dispatched, but also that renewal levy payments received are efficiently processed and correctly allocated so as to expedite the issue of fidelity fund certificates within the agreed turn-around time of five working days. Fidelity fund certificates are duly issued to all estate agents and estate agency enterprises that have fully complied with EAAB registration requirements and who have not been rendered disqualified for any of the reasons referred to in the Act including, in particular, the failure to submit a statutory auditor's report within four months after the financial year end of the estate agency enterprise concerned. During the 2013/14 financial year the EAAB issued a total of **49 238** fidelity fund certificates. The table below reflects the number of fidelity fund certificates issued during the year under review. During the year under review, fewer fidelity fund certificates have been issued which can be attributed to the non-compliance of audit report submissions by estate agency firms and the section 27 applications.

**Registrations and Renewals**

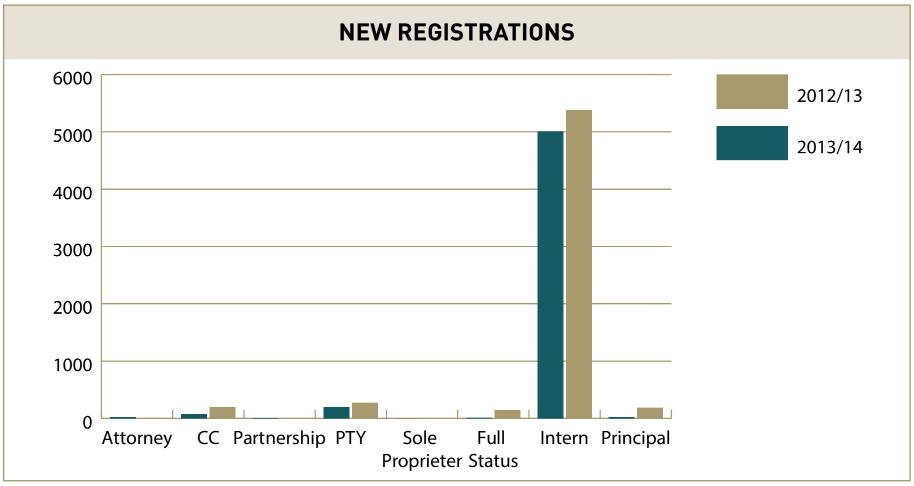
| CATEGORY | 31-Mar-14 | 31-Mar-13 |
|---|---|---|
| Principal estate agents | 10 757 | 13 323 |
| Non-principal estate agents | 14 013 | 15 959 |
| Intern estate agents | 15 671 | 14 819 |
| Firms | 8 708 | 11 037 |
| Attorneys | 89 | 94 |
| **TOTAL** | **49 238** | **55 232** |




## New Registrations

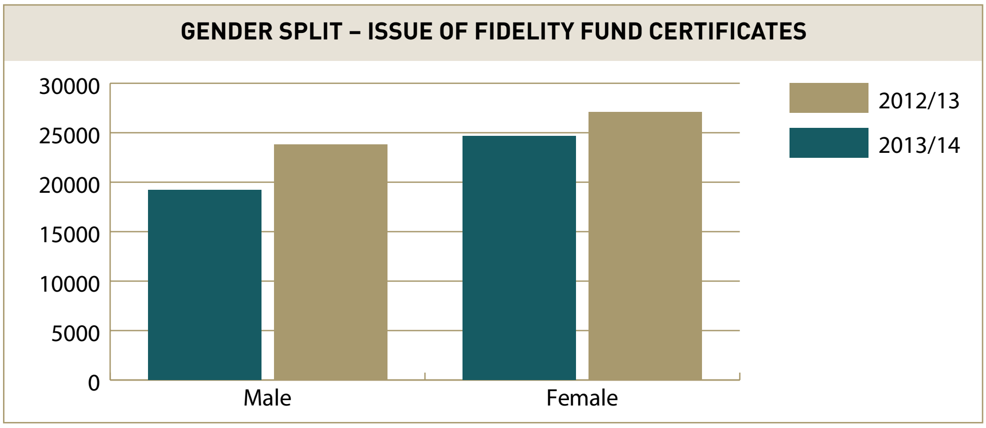
### New Fidelity Fund Certificate Registrations – 2013/14

| | 2013/14 | 2012/13 |
|---|---|---|
| Attorney | 24 | 15 |
| CC | 77 | 200 |
| Partnership | 1 | 4 |
| PTY | 196 | 272 |
| Sole Proprietor | 0 | 0 |
| Full Status | 11 | 145 |
| Intern | 5 007 | 5 382 |
| Principal | 22 | 189 |
| **Total** | **5 338** | **6 207** |




### Gender Split – issue of Fidelity Fund Certificates

| | 2013/14 | 2012/13 |
|---|---|---|
| **Male** | 19 234 | 23 821 |
| **Female** | 24 646 | 27 106 |
| **Total** | **43 880** | **50 927** |




## EDUCATION AND TRAINING

The Education and Training Department is tasked with ensuring both the professionalisation and the transformation of the estate agency sector by fully implementing the educational dispensation for estate agents introduced by the Standard of Training of Estate Agents Regulations, promulgated on 4 June 2008, with effect from 15 July 2008.

### The professionalisation of the estate agency sector

After extensive consultation members of the estate agency profession unequivocally accepted that, insofar as the professionalisation of the sector was concerned, both extensive training and the study and mastery of more specialised knowledge and skills was necessary, particularly if the sector was to remain relevant and meaningful. The overarching consensus was that it would be necessary for the sector speedily to transform itself from an industry into a true profession by inculcating the highest standards of integrity and competence in estate agency practitioners.

### The professionalisation process

The professionalisation process necessarily required the establishment of:

- acceptable qualifications for members of the profession;
- a professional body that is entrusted with maintaining control and/or oversight of the legitimate practice and conduct of the profession in the public interest and which, conversely, enables the public to distinguish members of the profession from unqualified and/or illegally operating practitioners;
- the norms and standards of conduct expected of members; and
- a code of conduct that must be strictly adhered to by members and which is enforced by the professional body.

### The EAAB appointed as the Professional Body of the estate agency sector by the South African Qualifications Authority

The Estate Agency Affairs Board, having been appointed as the Professional Body of the estate agency sector by the South African Qualifications Authority, is presently required to establish appropriate mechanisms for disseminating knowledge of good practice to estate agency practitioners and, also, to advise government on matters falling within its area of expertise. The Estate Agency Affairs Board, in addition, will be developing and monitoring professional educational programmes and will shortly ensure the continuous updating of knowledge, skills and competencies by estate agency practitioners through the implementation of a Continuing Professional Development programme.

### Functions of a Professional Body

The typical functions of professional bodies acting in the public interest, as the Estate Agency Affairs Board is required to do, include:

- the setting of standards of education and experience that must be met by the members of the profession;
- the accrediting of appropriate courses that meet these standards of education to facilitate entry into the estate agency profession; and
- the establishment of a code of conduct to regulate how members of the profession ought to behave in their professional lives.

The protection of the public interest, indeed, demands that estate agency services are rendered with the necessary, and expected, degree of probity, care, skill and diligence by professional estate agency practitioners. Professional competence and integrity, therefore, is maintained by the Estate Agency Affairs Board through ensuring that all practicing estate agents have attained the required professional skills and have met the established standards of competency; adhere scrupulously to the Code of Conduct for Estate Agents; and are actively committed to continuous learning and development by participating in approved Continuing Professional Development programmes.

### Benefits of professionalising the estate agency sector

The professionalisation of the estate agency sector has already resulted in a number of recognised benefits that have accrued to various sector stakeholders.

### The estate agency sector

- Estate agents who have achieved the required levels of learning, been certificated against the relevant National Qualification Framework real estate qualifications and passed the Professional Designation Examination have undoubtedly proven that they can render a wide range of estate agency services in a knowledgeable, skilled and competent manner to the benefit of consumers.
- Professional estate agents are more than ever committed to maintaining the highest standards of ethical behaviour, probity and integrity.
- Consumers can rest assured that any inappropriate, unethical or unlawful activities or behaviour by professional estate agents will immediately be dealt with through the enforcement of the Code of Conduct by the Estate Agency Affairs Board and, where appropriate, even the removal of the offending practitioner from the ranks of the profession.
- Impartial advice, in the public interest, is provided to consumers by the Estate Agency Affairs Board as an independent statutory regulator and professional body that consumers can trust.
- Members of the profession and consumers have access to information, advice, publications and other resources that might otherwise be difficult for them to obtain.
- Estate agents will achieve greater effectiveness in their functions and activities leading to improved economic performance and better service delivery.

### Consumers and Civil Society

For citizens and civil society, professionalisation of the estate agency sector implies that:

- they can unequivocally rely on the accuracy and integrity of the estate agency services rendered by professional estate agents;
- there is likely to be substantially more information available to enable citizens and civil society to hold professional practitioners to account for their actions; and
- citizens and civil society can be confident that information provided by the professional body is accurate and impartial.

### Members of the estate agency profession

For aspiring professional estate agents professionalisation of the sector denotes:

- an incentive to embark on a fulfilling and rewarding career of choice;
- the attainment of status and standing as a professional estate agency practitioner; and
- improved opportunities for networking and developing relationships with other members of the profession so as to learn from the experience and expertise that has already been gained by others.

For qualified members of the profession, professionalisation means:

- higher status and the basis for a satisfying lifelong career;
- financial reward and opportunities to obtain considerable job satisfaction; and
- opportunities to contribute towards the development and transformation of the sector.

There can be little doubt that the benefits of professionalisation of the estate agency sector have already far exceeded the expenditure of time and effort that has been required by estate agency practitioners to ensure that they comply with the requirements of the Education Regulations.

### Study material for estate agents

### Study Guide for the Professional Practitioner in Real Estate

To function effectively and successfully in the modern computerised and globalised business environment it is vital that estate agents be fully resourced and equipped with the required knowledge, skills and competencies in a variety of relevant contexts, spheres and disciplines. Estate agents must, furthermore, be able not only to confront but also deal with the many obstacles, and take advantage of the possible benefits arising from developing opportunities, which will doubtless arise in the course and scope of their daily estate agency activities and interactions with consumers.

The 'Study Guide for the Professional Practitioner in Real Estate', is intended to assist estate agents in meeting these challenges. The study guide contains the prescribed study material for practicing non-principal estate agents wishing to write the Professional Designation Examination for non-principal estate agents (PDE 4) after having been certificated against the Further Education and Training Certificate: Real Estate (NQF Level 4). The underlying aim of the Study Guide is to contribute to an improvement of the status, competencies and professionalism of non-principal estate agents.

During the period under review 478 copies of the Study Guide were requested and dispatched by the Estate Agency Affairs Board to, relevant stakeholders.

**Study Guide for the Master Practitioner in Real Estate**

The Study Guide for the Master Practitioner in Real Estate, published in two separate volumes, is aimed at meeting the generic management and educational needs of principal estate agents wishing to write the Professional Designation Examination for principal estate agents (PDE 5) after having been certificated against the National Certificate: Real Estate (NQF Level 5).

After having studied for and passed the Professional Designation Examination principal estate agents should be able, amongst others, successfully to coordinate and manage the human resources function of their particular estate agency enterprises, integrate marketing plans with business processes, prepare and maintain financial reports, documents and records and analyse, interpret, implement and control estate agency principles, systems and policies. Principal estate agents should, in addition, have gained the necessary knowledge and expertise to identify and explain the most salient features of, and socio-politico-economic factors affecting, the property market in general, apply and utilise relevant accounting techniques when preparing reports and returns, and interpret the property principles, methods and approaches necessarily used in estate agency practice.

During the period under review 381 copies of the Study Guide were requested and dispatched by the Estate Agency Affairs Board to, relevant stakeholders.

**Intern estate agents**

In terms of the Standard of Training of Estate Agents Regulations, 2008 ("the Education Regulations"), all persons seeking to enter the estate agency profession for the first time are required initially to serve as intern estate agents, acting under the supervision and control of a principal estate agent, or other full status estate agent having at least three years' experience in the sector, for a continuous period of twelve months calculated from the date of the first issue to those new entrants of intern fidelity fund certificates by the Estate Agency Affairs Board. This requirement applies to all new entrants to the estate agency sector regardless of any academic, professional or other qualifications which they may hold.

To accommodate this peremptory internship requirement the EAAB has introduced a mandatory one-year programme for intern estate agents specifically designed to facilitate and monitor the induction of intern estate agents into the estate agency profession. The programme ensures that intern estate agents acquire meaningful practical estate agency experience during the twelve month internship period and are not relegated to the peripheries of estate agency practice. The internship programme also exposes intern estate agents to an applied and relevant practical learning experience that enhances, and adds understanding, to their theoretical estate agency studies. The underlying objective of the programme, indeed, is to ensure that intern estate agents are provided with the required structured learning environment that will assist them in acquiring the necessary practical workplace experience that they need if they are competently to perform the functions of professional estate agents.

The EAAB has also compiled a practical logbook which both the intern estate agent and his/her mentor are expected conscientiously to maintain. Accomplished activities are recorded in the logbook which must be signed-off on at least a monthly basis by the principal or mentor assigned to assist and provide the intern estate agent with logistical support during the internship period. The logbook requirement has ensured that intern estate agent are provided with a personal record of all practical tasks completed and experience that has been gained at the workplace. A number of practical projects, applicable to the workplace, are incorporated into the internship programme which should, insofar as possible, be completed by both the intern estate agent and the mentor during the course of the internship period.

Once the logbook is accepted by the parties as a realistic and achievable training blueprint, to be implemented over the full twelve month internship period, reasonable time lines for completion of the various required activities are discussed and agreed upon. The parties may agree, having regard to the specific nature of, and the precise estate agency activities undertaken by, an individual estate agency enterprise, either to dispense with certain of the activities prescribed in the logbook or to add new activities. In such a case the full reasoning for the omission or addition of the activities in question must be provided. This flexibility is particularly relevant to intern estate agents functioning in, for instance, the agricultural property, auctioneering, timeshare or business broking environments.

The intern estate agent is also be required to gather relevant naturally occurring evidence to serve as proof that he/she has gained the requisite practical experience justifying an upgrade to full status as an estate agent after the expiry of the internship period and having complied with the relevant educational requirements.

Figures for the number of intern fidelity fund certificates issued during the period under review are reported under 'Registrations and Renewals' supra.

### Further Education and Training Certificate: Real Estate

In terms of regulation 4(1)(a) of the Education Regulations no person may perform the functions and activities of a non-principal estate agent unless that person has completed the Further Education and Training Certificate: Real Estate (SAQA Qualification). This qualification is designed to enhance the provision of entry level service within the property and real estate professions and also seeks to provide the broad knowledge, skills and values that are needed by estate agency practitioners in the property and real estate environment.

The Further Education and Training Certificate: Real Estate is a SA Qualifications Authority accredited real estate qualification which is presently quality assured by the Services Sector Education and Training Authority (SSETA). The SSETA not only accredits education providers and recognition of prior learning assessment centres for the presentation of the qualification but also quality assures the qualification and issues Certificates of Competence to successful candidates.

From information sourced by the EAAB from the SSETA it would seem that, during the period under review, a further **1 388** non-principal estate agents were certificated against the Further Education and Training Certificate: Real Estate. The SSETA advises, in addition, that there are currently approximately **1 800** candidates enrolled with accredited education providers for certification, whether through training or the recognition of prior learning, against the NQF Level 4 real estate qualification.

The EAAB continues to be concerned at the ever-escalating costs to be borne by, particularly, intern and non-principal estate agents wishing to be certificated against the Further Education and Training: Real Estate. These educational costs could be perceived as constituting not only an unwelcome but, also, an unintended barrier to entry to the estate agency profession by these newcomers. The EAAB intends, therefore, continuing its dialogue with the various Further Education and Training colleges countrywide in a concerted endeavour to ensure that they are capacitated and resourced for the presentation of the required entry qualification to new entrants. The EAAB is also currently pursuing all such avenues as may be available, whether through the SSETA or otherwise, for the offering of financial assistance, bursaries and learnerships, to prospective and intern estate agents.

### National Certificate: Real Estate

In terms of regulation 4(1)(b) of the Education Regulations no person may perform the functions and activities of a principal estate agent unless that person has completed the National Certificate: Real Estate (SAQA QUAL ID 20188). This higher qualification not only adds value to the understanding of the property and real estate sector by principal estate agency practitioners but also enhances their appreciation of the practical functionalities that occur within the workplace. As the qualification builds on the skills that should have already been acquired in the Level 4 real estate qualification, an estate agent must first have been certificated against the NQF Level 4 qualification before

From information sourced by the EAAB from the SSETA it would seem that, during the period under review, an additional 276 principal estate agents have been certificated against the National Certificate: The SSETA advises, in addition, that there are currently approximately 800 candidates enrolled with accredited education providers for certification, whether through training or the recognition of prior learning, against the NQF Level 5 real estate qualification.

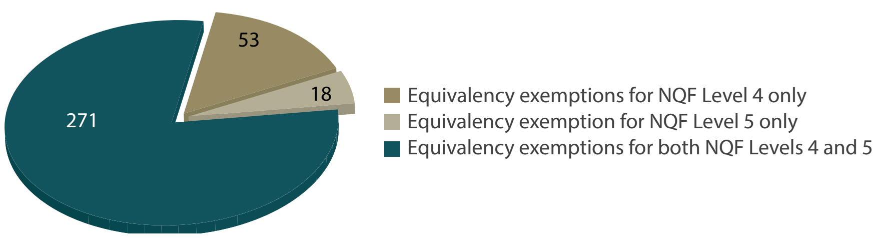
### The assessment of equivalency exemptions against the NQF real estate qualifications in terms of Board-approved equivalency matrices

Persons holding completed tertiary qualifications containing subjects that are both relevant to the real estate sector and, also, aligned with the curricula of the NQF Level 4 and/or 5 real estate qualifications respectively may apply to the EAAB for the grant of an equivalency exemption against the real estate qualifications. All equivalency qualifications presented for exemption purposes are carefully assessed against the relevant Board-approved equivalency exemption matrix for the real estate qualification in question. The assessment function was previously outsourced by the EAAB to Services SETA accredited real estate training providers. Due, however, to a number of cogent reasons including, for instance, "forum shopping" by applicants, the granting by real estate education providers of equivalency exemptions against patently non-compliant qualifications and numerous complaints received from stakeholders, the function was resumed by the EAAB as from 16 May 2013. During the period under review **342** equivalency exemption applications were assessed and granted by the EAAB.

**Equivalency exemption applications assessed and granted**

| Equivalency exemptions for NQF Level 4 only | Equivalency exemption for NQF Level 5 only | Equivalency exemptions for both NQF Levels 4 and 5 | Total |
|---|---|---|---|
| 53 | 18 | 271 | **342** |

EQUIVALENCY EXEMPTION APPLICATIONS ASSESSED AND GRANTED




### The Professional Designation Examination (PDE)

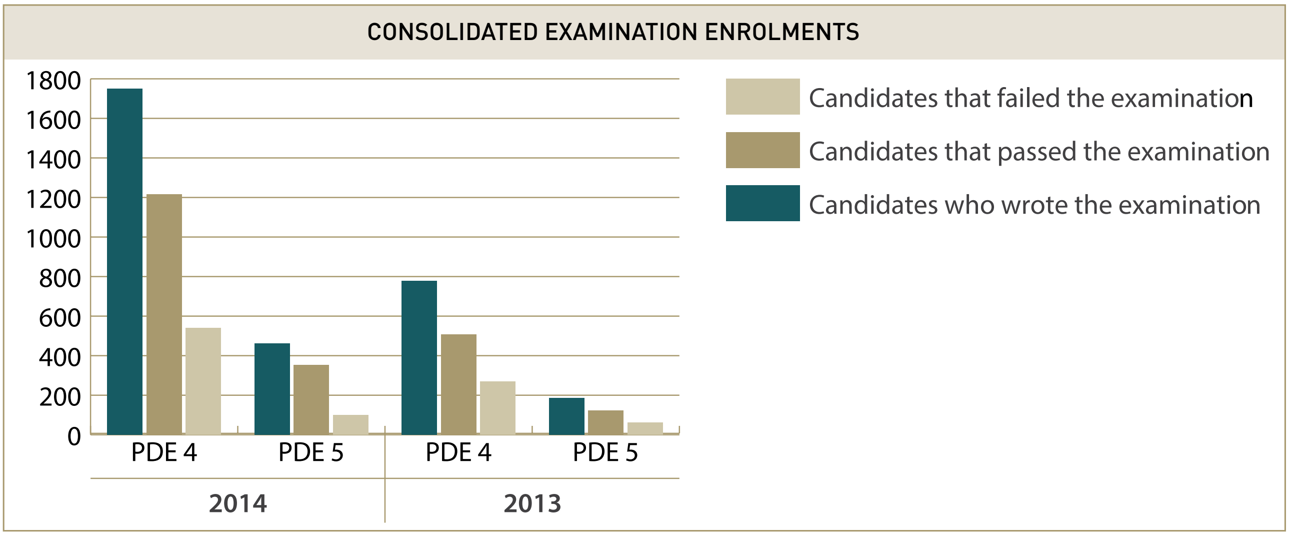
In terms of regulation 4(3) of the Education Regulations no person may be registered by the Board as a full status estate agent unless that person has also successfully completed the Professional Designation Examination (PDE), conducted by the Board. The PDE is a practical and integrated test of knowledge for estate agents conducted by the Estate Agency Affairs Board and represents the final test of an estate agent's ability practically to implement and apply the learning that has been achieved in both the classroom and at the workplace. All practicing estate agents, whether principals or non-principals, who have been certificated against the National Certificate: Real Estate or the Further Education and Training Certificate: Real Estate, as the case may be, must write and pass the Professional Designation Examination. During the period under review the Board successfully conducted four Professional Designation Examinations for both principal and non-principal estate agents countrywide. The Professional Designation Examination for principal estate agents is colloquially referred to as the PDE 5 while the Professional Designation Examination for non-principal estate agents is known as the PDE 4. The consolidated result of the four examination sessions held during the period under review.

that person may proceed to the NQF Level 5 qualification. The National Certificate: Real Estate essentially consolidates the broad knowledge, skills and values that are required by real estate practitioners to achieve success, both financially and reputationally, in the property sector in general and the estate agency profession in particular.

As is the case with the Further Education and Training Certificate: Real Estate, the SSETA not only accredits education providers and recognition of prior learning assessment centres offering this qualification but also quality assures the qualification and issues Certificates of Competence to successful candidates.

**Consolidated Examination Enrolments**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | PDF 4 | PDF 5 | PDF 4 | PDF 5 |
| Candidates who wrote the examination | 1 750 | 463 | 777 | 186 |
| Candidates who passed the examination | 1 215 | 352 | 508 | 124 |
| Candidates who failed the examination | 540 | 100 | 269 | 62 |
| Pass rate | 69% | 76% | 65% | 67% |




While the percentage of non-principal estate agents passing the PDE has remained relatively static since the examination was first introduced in November 2011 there has been a marked improvement where principal estate agents are concerned. It does seem, therefore, that there has definitely been an increased commitment to the professionalisation of the sector, a better appreciation of the fundamentals of the examination and more intensive study after candidates conclude that an "open-book" examination does not necessarily imply an osmosis of knowledge. Estate agents in general also seem better able to apply their practical work-place experience to theoretical learning, while many candidates elect to undergo training before writing the examination.

The PDE, however, still remains a relatively new test of the practical and specialised competencies and knowledge that is required from professional estate agents. It is apparent that the number of candidates enrolling for the examination during the period under review is, nevertheless, steadily increasing. This increase in registrations may be attributed to the fact that the mandatory nature of the examination is becoming more widely known and better accepted among the affected stakeholders. Estate agency practitioners appear also to be more appreciative than heretofore of the tangible benefits of the professionalisation of the estate agency sector in general and the acquisition, and registration on the National Learner Registration Database ("NLRD"), of a professional designation in particular. The continued use of differentiated practical case studies and situations as a valid and academically accountable testing mechanism in the examination seems also to have been widely accepted by educators and stakeholders alike.

On the negative side, it does seem that many estate agents who were registered as such on 15 July 2008, being the effective date of the implementation of the Education Regulations, have decided to postpone writing the PDE due to the extension of time granted by the Board to those estate agents within which to complete the educational requirements. Affected persons were granted until 30 June 2015 within which to be certificated against the NQF real estate qualifications and, correspondingly, the PDE.

Successful PDE candidates are authorised by the EAAB to use the following designations as an indication of the fact that they have achieved professional status as practicing estate agents, namely:

- Master Practitioner in Real Estate (MPRE) for principal estate agents who have passed the PDE 5; and
- Professional Practitioner in Real Estate (PPRE) for non-principal estate agents who have passed the PDE 4.

As indicated above, these designations have now been registered with the South African Qualifications Authority (SAQA) and, as such, are uploaded onto the NLRD that is maintained by SAQA.

### The Chartered Practitioner in Real Estate (CPRE)

The Chartered Practitioner in Real Estate (CPRE) is a designation that was specifically designed by the estate agency sector, in close liaison with the Property Chamber of the SSETA. This designation has also been registered with SAQA.

The identified purpose of the designation is to acknowledge and recognise the doyens of the estate agency sector for the distinctive contributions that they have necessarily made to estate agency as well as to the meaningful role that they have played in ensuring that estate agency is widely regarded as a career of choice rather than a job of last resort. The CPRE designation has also been so designed and implemented that it can, ultimately, be included in the equivalency matrix of the EAAB for the purposes of the granting of an exemption against the requirements of the National Certificate: Real Estate to qualifying candidates.

The CPRE pilot project was rolled out by the SSETA, with the active support of the EAAB, during 2011 and, although not conducted during the period under review, could possibly be resumed during the next ensuing financial year, depending on the demand for the re-introduction of the programme. It is intended, if and when the programme is continued, that the services of persons who have already been awarded the CPRE designation will be used to serve as constituent assessors in order to make a success of the endeavour.

### Exemption of estate agents from the Professional Designation Examination

An additional **414** practicing estate agents, made up as to 184 principal estate agents and 230 non-principal estate agents, again benefited, during the period under review, from the exemption from the Professional Designation Examination (PDE) that is granted in accordance with the Education Regulations in that they were estate agents who had continuously held valid fidelity fund certificates from at least 15 July 2003 to 15 July 2008. The grant of the statutory PDE exemption to such persons does not, however, necessarily entitle them to an exemption from the NQF Level 5 or Level 4 qualifications for estate agents, as the case may be, and nor are they entitled to use the professional designations that are awarded to persons who have successfully undertaken the PDE. It would seem that this latter fact has served as a primary inducement in encouraging many of the estate agents who have received the statutory PDE exemption nevertheless to write and pass the PDE.

### Exemption of estate agents who are 60 years of age or older from the education requirements

By resolution of the Board of the EAAB all currently registered estate agents who have held a valid fidelity fund certificate for a continuous period of at least five years, whether as a principal or non-principal estate agent, presently hold a valid fidelity fund certificate and who are 60 years of age, or older, may apply to the EAAB for the grant of an equivalency exemption against the NQF Level 5 and/or NQF Level 4 qualifications in real estate and/or the Professional Designation Examination for principal and/or non-principal estate agents as the case may be. Qualifying applicants are required to furnish certain naturally occurring evidence to the EAAB justifying the application and, also, to ensure that such evidence, which is required to enable the EAAB to consider the grant of an equivalency exemption, is properly collected and duly collated into a Portfolio of Evidence ("PoE").

During the period under review a total of 174 applicants applied for the grant of the "Over 60s" educational exemption. Of these applications 85 qualifying principal estate agents and 77 qualifying non-principal estate agents were granted, whether conditionally or unconditionally, the educational exemption. Twelve applications under this category were refused since the applicants concerned failed to satisfy the EAAB that they were fit and proper persons to be granted the educational exemption.

### Continuing Professional Development

A continuing professional development ("CPD") requirement for estate agents was implemented by the EAAB with effect from 1 August 2012. This requirement conforms to current best practice requirements to be found in most world-wide real estate regulatory jurisdictions. It is felt to be essential that members of the estate agency profession should maintain their professional standing and status through actively participating in the mandatory continuing professional education and development programme. CPD, in addition, enables estate agents to keep abreast of relevant sector and property developments, trends and changes since these can, cumulatively and sequentially, undoubtedly have significant consequences on both the internal and external environments within which estate agents are required to operate.

As can be appreciated, the introduction of CPD for estate agents necessitated the taking of significant strategic decisions by both the EAAB Board and the Education and Training Committee since the operationalisation of a mandatory CPD programme impacts significantly on all practicing estate agents in the long term. The next phase in the ongoing implementation of the envisaged CPD programme is the appointment of a suitable IT provider for the necessary infrastructure needed to accommodate the efficient management, monitoring and recordal of CPD achievements by estate agents on a paperless basis. The strict observance of the requirements of the Supply Chain Management Policy in the appointment of such an IT provider has meant that the selection process has taken longer than was initially anticipated. It is expected, however, that the appointment will be finalised early in the new financial year leading to the full implementation of the CPD programme.

### The Services SETA

The EAAB continues to strengthen its already sound and mutually harmonious reciprocal working relationship with the SSETA. The foundations for this excellent functional relationship have also been solidified and facilitated by the appointment, during the period under review, of both a new Accounting Authority and Chief Executive Officer of the SSETA. The EAAB is able consistently to utilise the knowledge and expertise of the SSETA in its ongoing quest to maintain the highest standards of quality assurance for the SA Qualifications Authority accredited real estate qualifications as it continues apace with the complex process of professionalising the estate agency sector to ensure that it becomes a career of choice for new entrants. The EAAB, through its educational endeavours, seeks also to ensure that estate agency is increasingly viewed as a viable economic sector by, especially, women, the youth, people with disabilities and previously disadvantaged communities.

As the EAAB remains consciously mindful of the imperative of industry transformation, it is believed that the practical educational dispensation for estate agents, together with the help and assistance that can be provided by the SSETA in this respect, can undoubtedly assist in the continual search to locate and implement appropriate mechanisms to redress the injustices of the past and to create an attractive, and financially rewarding, career path for new entrants to the sector.

## COMPLIANCE

The mandate of the EAAB is two-fold. It is divided into the primary and secondary mandates. The primary mandate of the EAAB as outlined in the Act, 112 of 1976 is to maintain and promote the standard of conduct of estate agents and to regulate the activities of estate agents all in the interest of the public. The secondary mandate is stipulated in the Financial Centre Intelligence Act which designates the EAAB as a Supervisory body for estate agents. The FIC Act places an obligation on the part of the EAAB to ensure compliance with the FIC Act by estate agents. Therefore the Enforcement & Compliance Department is tasked with carrying out this core mandate of the EAAB.

The Department receives and investigates complaints from members of the public and follow through with disciplinary proceedings where the evidence received establishes incidents of wrong doing on the part of estate agents. The activities of the Department are informed by the number of complaints the Board receives from members of the public against estate agents. The various sources from which the Board receives complaints are as follows:

1. Post / Mail
2. Email
3. Fax
4. Walk-in clients
5. Whistle Blower
6. Inspections

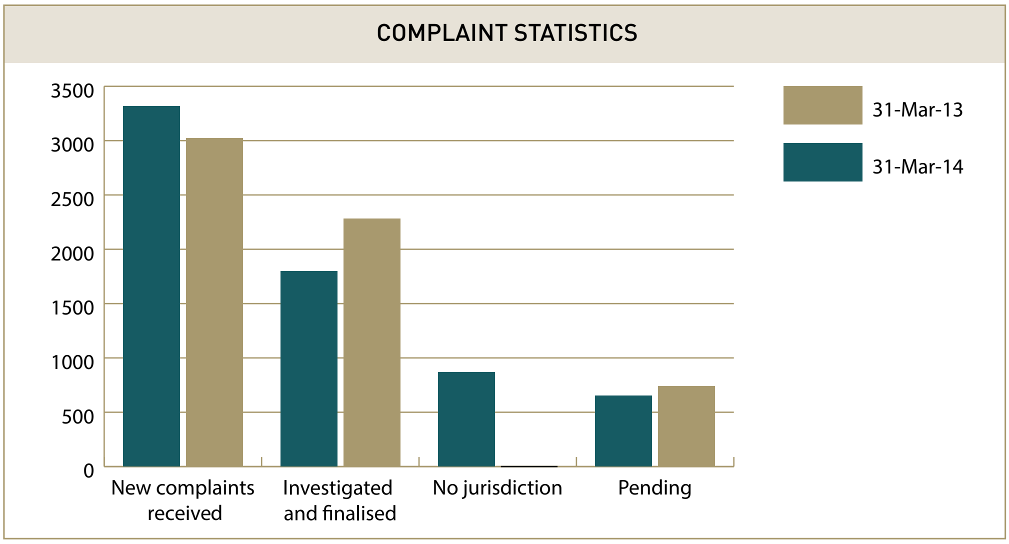
The Department was in the previous financial year inundated with matters relating to the contravention of the Act, particularly matters relating to the late or no submission of the Audit Reports by estate agents. As a result of that more than 4 500 charge letters have had to be issued and disciplinary proceedings undertaken. That led to the backlog in as far as new complaints are concerned. Due to the fact that the affected entities needed to be issued with fidelity fund certificates to enable them to operate legally in the 2014 calendar year, it was then incumbent upon the Department to suspend all other activities in order to finalize the disciplinary processes as well as the Section 27 applications. The need arose as a result thereof, to sufficiently capacitate the Department to deal with the workload.

The Department still continues to receive a large amount of matters which are beyond the jurisdiction of the Board which is a clear indication that a robust consumer education strategy needs to be put in place in order to sufficiently educate the consumers on the functions and activities of the Board.

Consequently during the period under review, the Department received a total number of **3 318** new complaints. A total number of **2 449** new files were opened, of which **1 797** were finalised and the remaining **653** are still under investigation. **1 797** matters were enrolled for hearing by the disciplinary committee which matter resulted in **1 792** convictions and **5** acquittals. **3** appeals were lodged by the respondent estate agents against either the findings or the sentences imposed by the disciplinary committees.

## Complaint Statistics

| Category | 31 March 2014 | 31 March 2013 |
|---|---|---|
| New complaints received | 3 318 | 3 022 |
| Investigated and finalised | 1 797 | 2 280 |
| No jurisdiction | 868 | - |
| Pending | 653 | 742 |

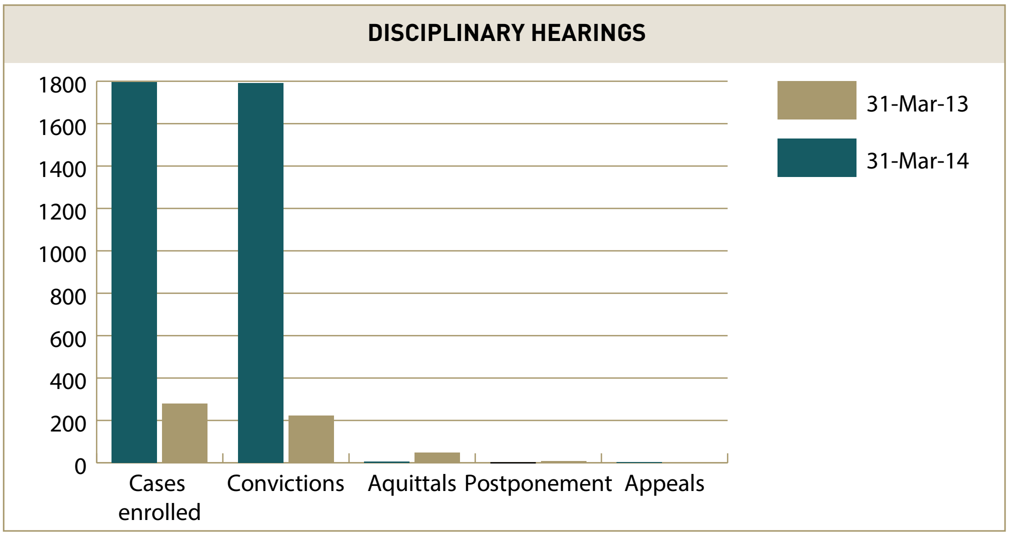


### Complaint statistics

Although convictions were secured in matters relating to contraventions of the code of conduct and the Act in general, the majority of convictions relate to late or non-submission of audit reports by principal estate agents. However, the challenge remains the misappropriation of trust funds by estate agents as well as failure on the part of estate agents to abide by the provisions of the code of conduct. The Department remains optimistic that the insourcing of the Inspectorate Department will go a long way towards ensuring that non-compliant estate agents are inspected and brought to book. The Inspectorate Department will ensure that the Enforcement & Compliance Department is well informed of the illegal activities embarked upon by estate agents.

### Disciplinary Hearings

| Category | 31 March 2014 | 31 March 2013 |
|---|---|---|
| Cases enrolled | 1 797 | 280 |
| Convictions | 1 792 | 223 |
| Aquittals | 5 | 49 |
| Postponement | 0 | 8 |
| Appeals | 3 | - |




### Desired performance of the Unit

It is the aim and objectives of the Enforcement Department to:

- Ensure that 70% of all cases opened and which fall within the disciplinary jurisdiction of the EAAB, are resolved within six months;
- Ensure that 60% of all cases enrolled for hearing by Committees of Inquiry result in securing of convictions; and
- Collect 70% of all fines imposed by the Committees of Inquiry on estate agents found guilty of sanctionable conduct.

### Whistle blower reports

The Department continues to receive a large number of whistle blower reports from the members of the public, Home Owners Associations as well as Bodies Corporate. However, most of these reports are complaints that need to be lodged in the ordinary way by estate agents and more often than not the complainants omit to furnish the Department with sufficient information to deal with the matter effectively. What exacerbates the problem further is the fact that most complainants opt to remain anonymous thereby making it difficult to obtain further information from them. We have also realized that most matters are duplicates because each time the complainants contact the Whistle Blower to enquire about their matters they get a new reference number thereby creating the impression that a certain number of complaints were made only to find that one matter was reported more than once. However, where complaints are lodged with sufficient details the matters will be taken through the normal disciplinary investigations and be set down before a disciplinary committee for hearing eventually.

During the period under review **597** whistle blower reports were received. **67** files were opened as a result of such receipt and **176** matters were found not to be within the jurisdiction of the EAAB.

### Problems encountered in providing service

Unregistered estate agents remain a nightmare for the Department. Although the current Act makes it a criminal offence to operate as an estate agent without being issued with a fidelity fund certificate by the Board, lack of cooperation from the SAPS, NPA and, to a certain extent, the Department of Justice makes it almost impossible for the EAAB to effectively root out these illegal operators. In some instances there is lack of cooperation from the complainants themselves especially once they successfully claim from the fund monies misappropriated from them by estate agents. It is difficult to trace unregistered estate agents once complaints are lodged against them and it therefore becomes impossible to bring them before a disciplinary committee. The EAAB still faces the challenge of Conveyancers paying commission over to unregistered estate agents despite the Practice Note that was put in place after consultation with the Law society during the year 2011. We, however, remain optimistic that more stringent measures to curb this problem will be included in the new Bill which is aimed at repealing the current legislation.

### Key policy developments

Although there has not been any significant policy shift in the Department, we are continuing to revise and review the policies that we currently have in order to ensure that they are up to date and create conducive environment for the Department to carry out its functions effectively and efficiently. Furthermore, the Department is part of the Legislative Review Task Team established by the Ministry of Human Settlements which is working on finding better ways and means of dealing with the challenges faced by the EAAB as a regulator in its endeavour to ensure maximum consumer protection.

### Overview of the claims environment

The Estate Agency Affairs Act provides for the establishment and control of the Estate Agency Fidelity Fund, which fund is controlled and managed by the EAAB. One of the purposes of the fund is to reimburse persons who have suffered financial loss as a result of theft of trust monies due to dealings with an Estate Agent. The Board is required to receive claims and investigate them after having completed the investigation. The matter will be placed before a claims committee (sub-committee of the Board) for consideration; the claims committee will then prepare recommendations for submission to the full Board (comprising all Board members) for approval.

### Claims, Section 27 applications and Inspections Report: 2013/2014

The committee report will focus on the following areas:

1. Claims
2. Section 27 applications
3. Inspections

| STATISTICS OF NEW CLAIMS AGAINST THE FUND RECEIVED BY THE ENFORCEMENT AND COMPLIANCE DEPARTMENT | | | | |
|---|---|---|---|---|
| Financial year | **2013/14** | **2012/13** | **2011/12** | **2010/11** |
| **Total** | 60 | 67 | 225 | 63 |

### Claims

The claims processed against the fidelity fund for the period 2013/2014.

| CLAIMS CONSIDERED AND APPROVED | | | | | | |
|---|---|---|---|---|---|---|
| **Claims Statistics (Rand)** | **31 Mar-14** | **31 Mar-13** | **31 Mar-12** | **31 Mar-11** | **31 Mar-10** | **31 Mar-09** |
| Value of claims lodged | 10 447 339 | 2 352 209 | 10 461 075 | 7 852 732 | 9 815 633 | 12 735 850 |
| Claims approved | 4 866 526 | 288 600 | 3 849 910 | 2 198 569 | 982 217 | 4 760 084 |
| Value of claims rejected | 4 077 828 | 389 004 | 2 588 229 | 1 846 848 | 5 230 209 | 2 112 394 |
| Claims pending | 2 049 283 | 1 674 605 | 4 022 936 | 3 807 315 | 3 603 207 | 5 863 372 |

The table above indicates that the Claims, Compliance and Enforcement Committee considered 60 claims with a total rand value of **R10 447 319** and paid out the total rand value of **R4 866 526** inclusive of interest. The claims received by the Board has reduced and this is attributed to controls being put in place and monitoring and reviewing of the claims process.

### Potential exposure of the Fidelity Fund

| Firms | Number of claims | Estimated Rand value | Status of the claims |
|---|---|---|---|
| Ronel Orton | 42 | 267 423 | Estate agent has started to refund claimants |
| Gavin Wright Property Team CC | 57 | 6 000 000 | Committee has considered some of the claims |
| Dusty Moon CC | 35 | 500 000 | Committee has considered some of the claims |
| Simply Letting | 110 | 718 219 | Pending curators final report |
| CSTM | 10 | 18 000 000 | Pending civil litigation by liquidators |
| Secure life style | 30 | 1 000 000 | The court has granted an order that the distribution be effected by the liquidator |

### Corrective Steps to mitigate fidelity fund exposure

**Improved consumer awareness initiatives:** To educate the consumer of the estate agency industry.

**Legislative changes:** The current EAA Act is due to be repealed and replaced with a new Property Practitioner Act which will address the capping of the fidelity fund, the loop-holes in the definition of an estate agent, and exclude claims against non-registered estate agents.

**Inspections programme:** The EAAB has conducted inspections in the major cities and will be also undertaking further inspections in other provinces to ensure compliance and prevent estate agent from accessing into the trust accounts.

**Internal controls:** The disciplinary inquiry against the estate agent concerned must be finalised before a claim can be considered. The Board continues to review the controls in order to ensure the effective and efficient administration of claims.

**NON-COMPLIANCE: INSPECTION CONTRAVENTIONS 2013/14**

| | Gauteng | Western Cape | Limpopo | Free State | Eastern Cape | KwaZulu Natal | Mpumalanga | Total |
|---|---|---|---|---|---|---|---|---|
| Estate agencies operating illegally | 24 | 36 | 0 | 10 | 15 | 31 | 9 | 210 |
| Principals - no fidelity fund certificate | 40 | 48 | 0 | 9 | 9 | 31 | 21 | 168 |
| Non-principals and interns - no fidelity fund certificate | 79 | 2 | 0 | 26 | 7 | 24 | 19 | 157 |
| Primary trust account contraventions | 40 | 49 | 1 | 30 | 12 | 20 | 20 | 83 |
| Secondary/investment account contraventions | 22 | 25 | 0 | 17 | 10 | 37 | 9 | 118 |
| Interest earned on trust money - not properly dealt with | 7 | 15 | 0 | 19 | 1 | 11 | 2 | 55 |
| Retention of trust monies and payments from the trust account | 3 | 4 | 0 | 5 | 5 | 4 | 6 | 27 |
| Insufficient accounting records of trust account | 33 | 24 | 0 | 17 | 6 | 6 | 9 | 95 |
| Improper administration of trust account | 17 | 43 | 2 | 26 | 4 | 11 | 9 | 114 |

**NON-COMPLIANCE: INSPECTION CONTRAVENTIONS 2013/14...*continued***

| NON-COMPLIANCE: INSPECTION CONTRAVENTIONS 2013/14 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Gauteng** | **Western Cape** | **Limpopo** | **Free State** | **Eastern Cape** | **KwaZulu Natal** | **Mpumalanga** | **Total** |
| Accounting records improperly maintained | 11 | 47 | 0 | 2 | 18 | 9 | 17 | 104 |
| Contracts completed by unqualified persons | 0 | 21 | 0 | 12 | 7 | 17 | 2 | 59 |
| Contraventions of the code of conduct in respect to contracts generally | 4 | 6 | 0 | 8 | 5 | 26 | 14 | 63 |
| Contraventions of the code of conduct in respect to sole mandates | 10 | 4 | 0 | 9 | 2 | 21 | 1 | 47 |
| Contraventions of the code of conduct in respect to lease agreements | 3 | 3 | 1 | 9 | 0 | 6 | 0 | 22 |
| Contraventions of the code of conduct in respect to sale agreements | 2 | 1 | 0 | 8 | 0 | 17 | 2 | 30 |
| Cessation of practice without notifying the eaab | 0 | 1 | 1 | 15 | 0 | 3 | 3 | 23 |
| Non-existant estate agencies | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 3 |
| Non-compliance with the fic act iro duty to identify clients and keep records | 18 | 1 | 1 | 30 | 11 | 4 | 3 | 68 |
| Non-compliance with the fic iro cash threshold reporting in terms of transactions exceeding r25000 | 0 | 2 | 0 | 20 | 6 | 2 | 1 | 31 |
| Non-compliance with the fic iro internal rules | 47 | 23 | 1 | 46 | 11 | 12 | 10 | 150 |
| Non-compliance with eaab education requirements | 0 | 28 | 4 | 35 | 37 | 7 | 0 | 111 |
| Failure to update general information with the eaab | 96 | 101 | 0 | 6 | 7 | 15 | 3 | 225 |
| **TOTAL CONTRAVENTIONS** | **456** | **484** | **11** | **359** | **173** | **317** | **160** | **1 960** |
| **TOTAL INSPECTIONS** | **208** | **200** | **56** | **64** | **52** | **143** | **38** | **761** |

## INSPECTIONS

The Estate agency affairs board has as one of its mandate to regulate , maintain and promote the standard of conduct of estate agents having due regard to public interest. Section 32A empowers the Board to conduct inspections for the purpose of compliance with the act as well as ethical conduct and transgression of the code of conduct for estate agents. The EAAB is also responsible for the supervision and enforcement of compliance by Estate Agents with the provision of the financial intelligence Centre act or any order, determination or directive made in terms of the FIC Act. The EAAB has as one of its mandates to conduct inspections in terms of section 32A. The EAAB together with the FIC conduct joint inspections in order to ensure the following:

(a) To protect consumers;
(b) To comply with its mandate in terms of the EAA Act and FIC Act;
(c) To improve the responsibility and accountability of all estate agents;
(d) To curb illegal trading of all those trading without a fidelity fund certificate and to impose disciplinary sanctions;
(e) To maintain and improve the relationship between the EAAB Board, FIC and estate agencies.

### Inspection Statistics

The inspections department has used a co-sourced model comprising of nine internal inspectors and external inspectorate service providers. The Board has appointed ten external auditing firms to assist the EAAB with inspections which has been rolled out to all provinces. The recruitment process for the internal inspectorate for the EAAB is currently underway and should be concluded by the end of the first quarter of the following financial year. During the period under review 747 individual inspections of estate agency undertaking were conducted, which resulted in under-performance of the 1 200 inspections that had been planned to take place. This can be attributed to the fact that the appointment of the external inspectors was finalised in the last quarter of the financial year under review, and due to time constraints the newly appointed inspectors could only finalise approximately 80 percent of the planned target.

| Provinces | Inspections conducted |
|---|---|
| Gauteng | 208 |
| Kwa-Zulu Natal | 143 |
| Western cape | 200 |
| Eastern Cape | 52 |
| Limpopo | 56 |
| Mpumalanga | 38 |
| North West | 0 |
| Northern cape | 0 |
| Free state | 64 |

### Section 27 Applications

- Applications considered by the EAAB Board Committees
- Applications considered in terms of Board Resolution dated 19 December 2013
- Applications considered after the Board Resolution

Section 27(A) of the estate agency affairs act provides that any estate agent who has failed to comply with section 29 and section 32(3)(b) on the date of expiry of the financial year end on which application for a fidelity fund certificate is made is rendered disqualified and shall not be issued with a fidelity fund certification, provided that if in respect of any person who is subject to any disqualification referred to in this section the Board is satisfied that with due regard to all the relevant considerations the issue of a fidelity fund certificate to such a person will be in the **interest of justice** the Board may issue on such condition as the Board may determine, a fidelity fund certificate to such person when he or she applies therefore.

The Board resolved to issue a resolution stipulating the process and the manner in which the applications will be considered (administrative processing of section 27 applications) contained in the Board resolution signed on the 19 December 2013. For the year under review approximately 60% of section 27 applications have been resolved and firms have been unblocked and fidelity fund certificates have been issued.

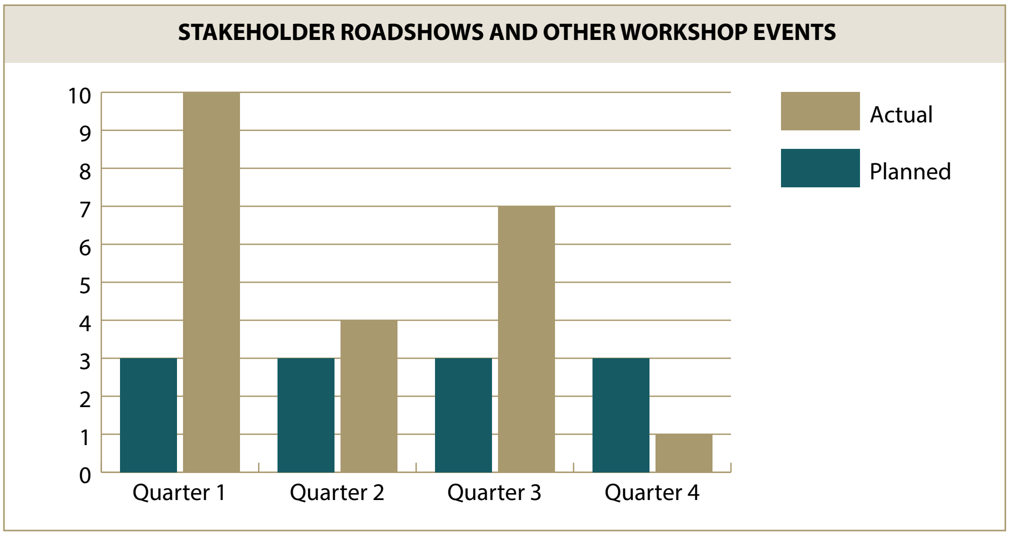
## MARKETING AND PUBLICATIONS

### Stakeholder Relations Communication (Estate Agents)

The EAAB, mindful of keeping estate agents abreast of changes to regulatory and administrative frameworks, all of which practicing estate agents should acquaint themselves with to ensure compliance and maintain the economic and professional well-being of their enterprises, continues to communicate with estate agents and principals through our stakeholder relations roadshows and workshops which are held annually around the country. The EAAB is required to conduct approximately three (3) stakeholder relations workshops per quarter.

The table and graph below reflects the estate agent stakeholder workshop events planned for the financial year 2013/14 and the actual events that were conducted.

| STAKEHOLDER ROADSHOWS AND OTHER WORKSHOP EVENTS | | |
|---|---|---|
| | **Planned** | **Actual** |
| **Quarter 1** | 3 | 10 |
| **Quarter 2** | 3 | 4 |
| **Quarter 3** | 3 | 7 |
| **Quarter 4** | 3 | 1 |




## Consumer education awareness

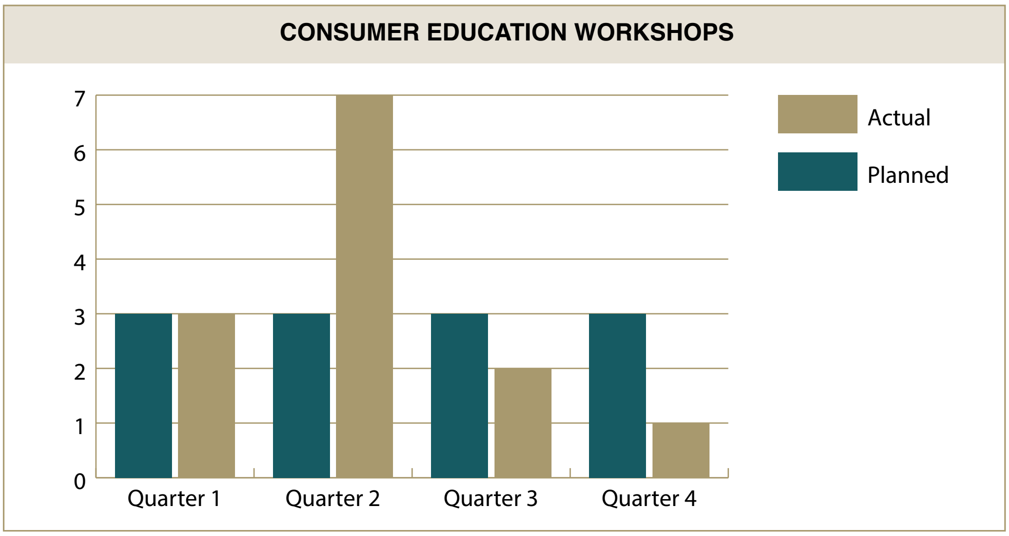
The EAAB is required to conduct approximately three (3) Consumer Education Awareness workshops/exhibitions per quarter. The main focus of the EAAB's current consumer awareness is conducted in township areas and local city and suburban surrounds. Presentation workshop focus is to amongst others:

- advise consumers of who the EAAB is and what our core functions are;
- the importance of using a registered estate agent versus an unregistered estate agent;
- buyers/sellers beware tips regarding signing of contracts; latent and patent defects; and
- bank repossessions as this appears to be the preferred method of buying a property in these areas.

The presentation also includes that an estate agent profession is a career that they can consider as an option in their career-pathing as part of our transformation imperatives:

- explaining the process of becoming an estate agent;
- offering advise on how to become an estate agent for new entrants to the property industry and information regarding the regulatory compliance requirements in terms of the EAA ACT and the Code of Conduct for estate agents;
- licensing and the education requirements.

It is however to be noted that the EAAB intends to increase its consumer awareness programme considerably during the next financial year. The table and graph below reflects the consumer education events that were planned for the financial year 2013/14 and the actual events that were conducted.




| CONSUMER EDUCATION WORKSHOPS | | |
|---|---|---|
| | **Planned** | **Actual** |
| **Quarter 1** | 3 | 3 |
| **Quarter 2** | 3 | 7 |
| **Quarter 3** | 3 | 2 |
| **Quarter 4** | 3 | 1 |

## AGENT Magazine

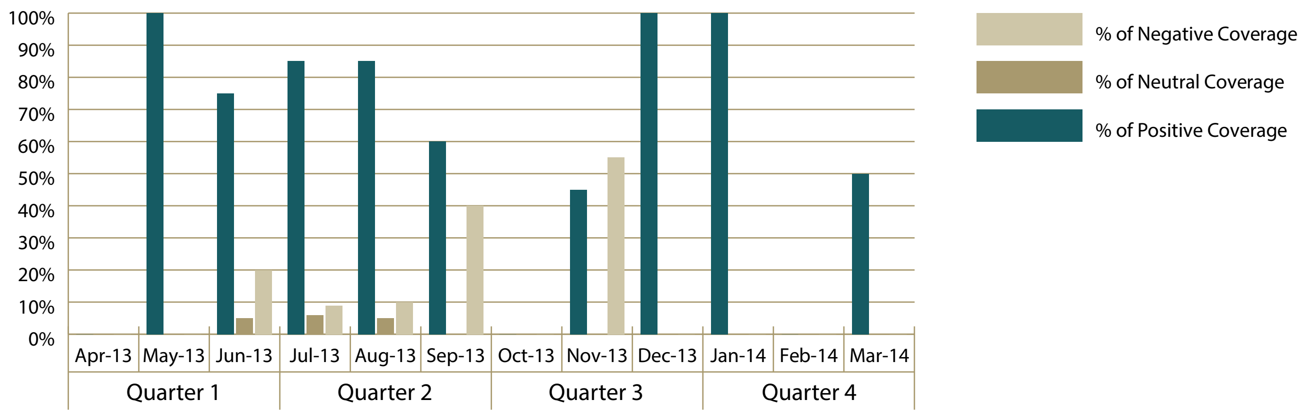
The AGENT Magazine is the official publication of the EAAB, which is issued once every quarter. The magazine contains a combination of professional editorial input that carries the voice of the Estate Agency Affairs Board as the statutory regulator. Articles around the compliance, licensing, audit compliance, trust accounts, inspections conducted and the education requirements are featured in every issue, together with other property industry related information. The publication covers features that keep readers informed of aspects pertaining to both the residential and commercial real estate industry as well as current property trends.

## Media coverage and tone analysis

The EAAB subscribes to Newsclip SA. An analysis has been provided of the free media coverage that the EAAB receives. The table and graph below reflects the tone analysis for the year under review which is monitored on a monthly basis. The negative coverage can be attributed to the Auction Alliance matter.

| | Month | % Positive Coverage | % Neutral Coverage | % Negative Coverage |
|---|---|---|---|---|
| **QUARTER 1** | April 2013 | 0% | 0% | 0% |
| | May 2013 | 100% | 0% | 0% |
| | June 2013 | 75% | 5% | 20% |
| **QUARTER 2** | July 2013 | 85% | 6% | 9% |
| | August 2013 | 85% | 5% | 10% |
| | September 2013 | 60% | 0% | 40% |
| **QUARTER 3** | October 2013 | 0% | 0% | 0% |
| | November 2013 | 45% | 0% | 55% |
| | December 2013 | 100% | 0% | 0% |
| **QUARTER 4** | January 2014 | 100% | 0% | 0% |
| | February 2014 | 0% | 0% | 0% |
| | March 2014 | 50% | 50% | 0% |

MEDIA COVERAGE AND TONE ANALYSIS




## CUSTOMER RELATIONS

The introduction of the customer relations department in 2012/2013 brought about some improvement within the EAAB in respect of service standards in the regulatory environment in light of stakeholder queries and matters that are dealt with on a daily basis. The balancing act of being both customer and business centric has been a huge consideration for the organisation as compliance still needs to be enforced.

The overall function of the department looks at the business needs to ensure that the relevant strategic goals are met.

The customer relations department therefore undertakes the following key functions;

- Overseeing the daily operations of the EAAB call centre;
- Receiving, accessing and resolving complaints from stakeholders;
- Managing and updating of contact detail information on the EAAB database;
- Facilitating renewal statements; and
- Identifying gaps in the service delivery process and effecting improvements thereto

Achieving the above functions has been a challenging task in light of reinforcing complaint processes within the sector. During the last quarter of the financial year, we saw an overwhelming number of audit compliance queries due to disqualified estate agents. This affected the issuing of fidelity fund certificates. The manner in which queries were received and resolved has informed the organisation to rethink the service standards in order to ensure that we are efficient in our service. This has lead to the introduction of service level agreements (within departments) and a customer service manual which will play a huge role in the next financial year.

The call centre is the first port of entry through telephonic contact; the customer/stakeholder experience should be exceptional to maximize the experience as the call centre serves as an information centre for our callers. Therefore call volumes, quality, abandoned calls and product information and training for the call centre agents are consistently monitored to ensure that the required expectations are met at all times.

During the past financial year we noted an increase in the number of walk in clients, due to disqualifications of estate agents and technical queries. The number of walk-ins is monitored as it affects the turn-around times. Awareness of the self-service portal like the myEAAB will continue to be promoted to avoid huge volumes of stakeholders coming to the EAAB offices. The proposed regional offices will also assist in this regard. Measures were used to consider time spent at our offices in order to avoid frustrations and delays. The measure was based on the type, complexity of the query and friendliness of the staff. From October 2013 till March 2014 a number of walks-ins were noted, hence the time spent in dealing with the stakeholders increased.

The following were points of interest for our stakeholders during the period:

- Renewals payments and queries;
- Audit queries;
- Claims: Section 27 process;
- Legal queries; blocking and unblocking queries; and
- Exam queries (November)

## REPORT ON WALK IN CLIENTS

| Period | Number of clients | Estimated waiting time | Department |
|---|---|---|---|
| Quarter 1 | 2 671 | 5 to 10 minutes | Education/Registration |
| Quarter 2 | 3 103 | 5 to 10 minutes | Education/Registration |
| Quarter 3 | 2 944 | 5 to 10 minutes | Education/Registration |
| Quarter 4 | 3 543 | 5 to 10 minutes | Education/Registration |

## CALL CENTRE REPORT:

The information provided through using the Frequently Asked Questions (FAQ) handbook that is available on the EAAB website assists the call centre to dispense correct information. The call statistics below indicate the performance of the call centre in terms of the number of calls that come through, how many are successfully answered and where the caller has abandoned the call. The number of calls answered remains steady unless the call centre experiences downtime which is infrequent. In terms of the service level agreement between the outsourced call centre and the EAAB the overall performance is satisfactory.

### Call statistics for the call centre

| Period | Entered | Answered | Abandoned | SLA% |
|---|---|---|---|---|
| Quarter 1 | 39 289 | 38 235 | 1 054 | 97,32% |
| Quarter 2 | 39 791 | 38 536 | 1 255 | 96,85% |
| Quarter 3 | 37 572 | 36 705 | 867 | 97,69% |
| Quarter 4 | 40 348 | 39 212 | 1 136 | 97,18% |

## AUDIT COMPLIANCE

### Introduction of the portal for audit reports submission

During the financial year, the EAAB introduced the MyEAAB Auditors Portal, a web-based audit report submission portal that can be accessed on its website. The MyEAAB Auditors Portal enables the auditors of estate agency firms to register and complete and submit the online audit report on behalf of the estate agency firm. This is in compliance with section 32(4) of the Estate Agency Affairs Act which requires the auditor, to transmit to the EAAB, the audit report after the completing the audit. The MyEAAB Auditors Portal is integrated with the EAAB's system and audit reports submitted via the portal are uploaded in real time. The response of the auditing profession, following the introduction of the MyEAAB Auditors Portal, was encouraging and positive. The number of audit firms submitting the audit reports on the MyEAAB Auditors Portal stood at **320** at the end of June 2014 and over **1 400** audit reports were submitted by these audit firms and this number will continue to grow. A large number of audit reports were submitted via the audit@eaab.org.za email address which brought the total number of audit reports received within the 4 month due date to over **70%**. This has been the highest number of audit reports received by the EAAB within the prescribed time frame.

The EAAB will be embarking on an awareness programme among the auditing profession in order to ensure that all audit reports are submitted online using the MyEAAB Auditors Portal during the coming financial year. The MyEAAB Auditors Portal will also be enhanced in the new financial year in order to respond to the results from the post-implementation review.

### Disqualification for submission of audit reports outside prescribed timeframe

It should be noted that audit reports should be submitted to the EAAB within four months of the financial year end of the estate agency firm. During the financial year, a large number of estate agency firms were disqualified for either not submitting their audit reports, or not submitting their audit reports within the prescribed time frame.

Most of these estate agency firms have applied for re-instatement as estate agencies in good standing by submitting the outstanding audit reports and paying the applicable penalties and fines. The record high number of audit reports received during the 2014 audit submission cycle indicates that auditors and principal estate agents are increasingly becoming aware of the requirement to submit the audit reports within the prescribed timeframe.

### Non-complaince issues in submitted audit reports

All non-compliance issues appearing on the auditors reports submitted to the EAAB are carefully assessed to determine materiality. Those aspects found to be of a strictly administrative nature are generally resolved.

However, all contraventions of the provisions of the Estate Agency Affairs Act and/or other legislation are referred to the Enforcement Department for formal investigation and, where necessary, institution of appropriate disciplinary processes.

The following non-compliance categories are still being noted in the submitted audit reports:

1. Section 32 contraventions pertaining to trust account;
2. Incomplete audit reports;
3. Name of auditor different from that registered as estate agency auditor on our system;
4. Bank account details for the trust account different from those registered on our system;
5. Business audits not conducted;
6. Fidelity fund certificate not verified by the auditor;
7. Accounting framework not indicated;
8. Financial Intelligence Centre number not indicated;
9. IT3b certificates reflecting interest earned on trust accounts not provided;
10. Audit opinion not expressed; and
11. Trust account details not provided.

In the coming financial year, EAAB will continue to raise awareness on the audit compliance process through the roadshows, the Agent Magazine and the interactions with various stakeholders.

# INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

## Introduction

The Human Resource department was instrumental in providing strategic leadership of the EAAB, delivering organisational development and other support services to staff, and facilitating the achievement of organisational strategic goals.

## Recruitment and appointments

The EAAB embarked on a major re-structuring process following the appointment of the new Board at the beginning of the financial period. One of the tasks of the Board was to re-assess the effectiveness of the organisational structure in fulfilling EAAB strategic objectives. The recruitment of staff for vacant positions was put on hold pending the review of the organisational structure. This process took longer than expected and has led to recruitment of temporary staff and an increase in acting positions. The outcome of this review process led to the creation of a new Operating Executive and a Transformation Manager positions into the new approved organisational structure as well as increased capacity in the Education and Training department and a new regional office infrastructure.

These additions in the organisational structure is reflection of the Board's intention improve service delivery, improve accessibility to stakeholders, recognizing the need to create infrastructure for the new professional body status delegated to the education and training department and planned regional offices. The Human Resource department embarked on a huge recruitment drive where 24 positions were advertised simultaneously. It is envisaged that the remaining vacant positions will be filled in the first quater of the next financial year.

## Automated human resource system

The EAAB continues to operate an automated human resource system. The modules which were in operation at the beginning of the year were the leave balances and employee personal information processes. Staff was able to apply for leave in the leave balances module on the human resource portal. Managers would approve leave on the portal without the necessary interaction with a Human Resource official or applicant. This led to efficiency in leave processing and better control of leave balances.

The Human Resource department implemented the use of Performance management process on the HR portal. Staff was trained on the following processes:

- Performance contracting (i.e. loading of KPA's and KPI's);
- Performance contracting approval process;
- Performance appraisal process (i.e performance rating)
- Personal development plans; and
- Monitoring the process of implementation of personal development plans .

The use of the Human Resource portal for performance management reduces the administration effort for staff and Human Resource officials. It assists in the calculation of complicated performance rating and improved information storage process. The intention is to implement the payroll system on the HR portal in the future. Currently the payroll system is outsourced and this model is being reviewed with intensions of bringing the payroll function in-house.

## Wellness programme

The EAAB also embarked on campaign to improve awareness of the wellness services available for employees. The current wellness service provider and the medical aid service provider organized a joint wellness day during the current financial period. This event included chronic disease testing and advice, education on wellness programs available to employees i.e. financial management, counseling processes available. EAAB has also renewed the contract with the current wellness service provider based on the improved employee usage

## Human resource policies

The code of conduct and all the human resource policies have been reviewed during the current financial period. The changes were made based on the current best practice and revised legislation. There was a consultation process with the employees in respect of the changes that were made.

There were also new human resource policies developed during the financial period such as:

- Remuneration Policy
- Recruitment Policy
- Succession Planning Policy
- Promotions Policy
- Internship Policy

These policies have been submitted to Human Resource Committee for review and recommendation to the Board for approval.

### Planned action for the 2014/15 period:

- Alignment with job descriptions, job grades and remuneration and implementation of personal development plans;
- Submission of employment equity report
- Engagement on a mentorship programme with Services SETA.
- Submission of Annual Skills Development Reports and Plans;
- Development and implementation of a career management programme
- Development of a retention strategy
- Conducting an employee survey

### Human resource oversight statistics

### Personnel cost programme

| Programme | Total expenditure (R'000) | Total Personnel costs (R'000) | Personnel expenditure as a % of Total expenditure | No. of employees | Average personnel costs per employee (R'000) |
|---|---|---|---|---|---|
| **CEO's Office** | 16 793 | 5 604 | 33% | 7 | 801 |
| **Compliance** | 26 318 | 19 935 | 76% | 34 | 586 |
| **Education and Training** | 5 987 | 4 459 | 74% | 7 | 637 |
| **Corporate Services** | 25 513 | 6 562 | 26% | 25 | 262 |
| **Total** | **74 611** | **36 560** | | **73** | |

### Personnel costs per salary band

| Programme | Total Personnel costs (R'000) | Personnel expenditure as a % of Total personnel expenditure | No. of employees | Average personnel costs per employee (R'000) |
|---|---|---|---|---|
| **Top Management** | 12 821 | 35% | 7 | 1 832 |
| **Senior Management** | 5 742 | 16% | 6 | 957 |
| **Professional qualified** | 4 900 | 13% | 7 | 700 |
| **Skilled** | 5 686 | 16% | 9 | 632 |
| **Semi-skilled** | 6 877 | 19% | 40 | 172 |
| **Unskilled** | 534 | 1% | 4 | 134 |
| **Total** | **36 560** | | **73** | **501** |

The EAAB remuneration structure is based on a fixed annual salary package which an employee can structure over 12 or 13 months. There were no performance rewards remunerated to staff during the financial period.

## Training costs

| Programme | Total expenditure (R'000) | Total training costs (R'000) | Training expenditure as a % of Total expenditure | No. of employees | Average training costs per employee (R'000) |
|---|---|---|---|---|---|
| CEO's Office | 16 793 | 237 | 1% | 5 | 47 |
| Compliance | 26 318 | 125 | 0.5% | 8 | 16 |
| Education and Training | 5 987 | 81 | 1% | 5 | 16 |
| Corporate Services | 25 513 | 337 | 1% | 24 | 14 |
| **Total** | **74 611** | **780** | | **42** | **19** |

## Employment and vacancies

| Programme | 2012/13 No. of employees | 2012/14 Approved posts | 2013/14 No. of employees | 2013/14 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| CEO's Office | 3 | 9 | 7 | 2 | 22% |
| Compliance | 29 | 45 | 34 | 11 | 24% |
| Education and Training | 7 | 7 | 7 | 0 | 0% |
| Corporate Services | 35 | 30 | 25 | 5 | 17% |
| **Total** | **74** | **91** | **73** | **18** | **20%** |

| Salary Bands | 2012/13 No. of employees | 2013/14 Approved posts | 2013/14 No. of employees | 2013/14 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| Top Management | 7 | 8 | 7 | 1 | 13% |
| Senior Management | 8 | 9 | 6 | 3 | 33% |
| Professional qualified | 1 | 10 | 7 | 3 | 30% |
| Skilled | 6 | 11 | 9 | 2 | 18% |
| Semi-skilled | 48 | 49 | 40 | 9 | 18% |
| Unskilled | 4 | 4 | 4 | 0 | 0% |
| **Total** | **74** | **91** | **73** | **18** | **20%** |

## Employment changes

| Salary Bands | Employment at the beginning of the period | Appointments | Terminations | Employment at the end of the period |
|---|---|---|---|---|
| Top Management | 7 | 0 | 0 | 7 |
| Senior Management | 8 | 0 | 1 | 7 |
| Professional qualified | 1 | 0 | 0 | 1 |
| Skilled | 6 | 0 | 0 | 6 |
| Semi-skilled | 48 | 0 | 0 | 48 |
| Unskilled | 4 | 0 | 0 | 4 |
| **Total** | **74** | 0 | 0 | **73** |

## Reasons for leaving EAAB employment

| Reason | Number of employees | % of employees leaving |
|---|---|---|
| Death | 1 | 1% |
| Resignation | 1 | 1% |
| Dismissal | 0 | 0% |
| Retirement | 0 | 0% |
| Ill-health | 0 | 0% |
| Expiry of contract | 0 | 0% |
| Promoted to higher position | 0 | 0% |
| **Total** | **0** | **2%** |

## Labour relations: Misconduct and Disciplinary

| Reason | Number of employees |
|---|---|
| Verbal warning | 1 |
| Written warning | 5 |
| Final written warning | 1 |
| Dismissal | 0 |
| **Total** | **8** |

## Employment equity status (Male)

| | AFRICAN MALE | | COLOURED MALE | | INDIAN MALE | | WHITE MALE | |
|---|---|---|---|---|---|---|---|---|
| **Skills level** | **Employee** | **EE Target** | **Employee** | **EE Target** | **Employee** | **EE Target** | **Employee** | **EE Target** |
| Top Management | 4 | 5 | 1 | 1 | 0 | 0 | 1 | 1 |
| Senior Management | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 1 |
| Professional Qualified | 3 | 3 | 0 | 0 | 0 | 0 | 0 | 1 |
| Skilled | 6 | 5 | 0 | 1 | 0 | 1 | 0 | 0 |
| Semi-skilled | 8 | 12 | 0 | 1 | 0 | 1 | 0 | 0 |
| Unskilled | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **26** | **28** | **1** | **3** | **0** | **2** | **1** | **3** |

## Employment equity status (Female)

| | AFRICAN FEMALE | | COLOURED FEMALE | | INDIAN FEMALE | | WHITE FEMALE | |
|---|---|---|---|---|---|---|---|---|
| **Skills level** | **Employee** | **EE Target** | **Employee** | **EE Target** | **Employee** | **EE Target** | **Employee** | **EE Target** |
| **Top Management** | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Senior Management** | 3 | 4 | 0 | 0 | 0 | 1 | 1 | 0 |
| **Professional Qualified** | 2 | 3 | 0 | 0 | 1 | 0 | 1 | 1 |
| **Skilled** | 3 | 11 | 0 | 2 | 0 | 0 | 0 | 1 |
| **Semi-skilled** | 27 | 19 | 3 | 2 | 0 | 0 | 1 | 4 |
| **Unskilled** | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **38** | **39** | **3** | **4** | **1** | **1** | **3** | **6** |

# CORPORATE GOVERNANCE

## Introduction

Having gone through a period of administration at the end of the 2012/2013, the year under review saw a significant change in the realm of corporate governance. The new Board Members, appointed on 1 January 2014 by the Minister of Human Settlements, took office on the 1st of April 2013. The 15 members appointed in terms of Section 3(2) of the Estate Agency Affairs Act brought with them a wealth of experience and knowledge that has gone very far in ensuring that the organisation is in keeping with high standards of governance and compliance. The governance structures within the organisation, however, remained unaltered. The Estate Agency Affairs Board has a unitary Board which is the institution's accounting authority.

## The composition of the Board

The Board consists of fifteen members appointed by the Minister of Human Settlements for a period not exceeding three years, and who are eligible for reappointment, of whom:

- five are members of the estate agents' industry;
- five are from civil society representing the interests of consumer; and
- five are from related professions and institutions such as the legal profession, financial institutions, property owners and developers.

Of the 15 members appointed 13 remained in active office as at 31 March 2014. One member vacated office as they had become disqualified from being an estate agent. The other was suspended as a result of having been disqualified from being an estate agent. Subsequently, three additional Board members vacated office after the year end. This did not hamper the Board in the performance of its duties nor affect the quorum required to properly constitute meetings of the Board. The quorum for any meeting of the Board is six members. The Board is responsible for providing overall guidance on the strategy, business plan and related affairs of the EAAB. The roles and responsibilities of the Board are further delineated in a Board Charter as well as a Shareholder's Compact.

The Board is obliged to meet at least once in each financial year but, during the financial year under review, met on two occasions. An annual Board workshop is also generally convened for the purpose of reviewing the strategic and business plans, the budget and the risk profile of the EAAB.

## Board Committees

The Board is given the power to appoint committees to advise it on any matters over which it has power. The Estate Agency Affairs Board has appointed the following Committees to assist it in the discharge of its duties: the Claims Committee; the Audit and Risk Committee; the Finance and Investments Committee; the Education and Committee; the transformation Committee; the Social and Ethics Committee; and the Human Resources and Remunerations Committee.

The Committees are comprised entirely of Board members with Executive Management in attendance by invitation. The Secretary of the Committees is the Company Secretary. The various committees have met frequently during the period under review in discharge of their fiduciary duties. The number of meetings and attendance at such is indicated on the tables on the following page.

## Attendance at Board and Committee Meetings for the year under review

| Board Meetings (15 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Kwandiwe Kondlo | 01/01/2013 | 10 | 9 |
| Maletsatsi Maceba-Wotini | 01/01/2013 | 10 | 9 |
| Patricia Lebenya-Ntanzi | 01/01/2013 | 10 | 7 |
| Jill Corfield | 01/01/2013 | 10 | 10 |
| Leo Mlambo | 01/01/2013 | 10 | 9 |
| Andile Ben-Mazwi | 01/01/2013 | 10 | 9 |
| Rhulani Marivate | 01/01/2013 | 10 | 6 |
| Sikander Kajee | 01/01/2013 | 10 | 9 |
| Fazel Randera | 01/01/2013 | 10 | 8 |
| Ewaldina Porteous | 01/01/2013 | 10 | 10 |
| Mfanufikile Nsibande | 01/01/2013 | 10 | 3 |
| Mputumi Damane | 01/01/2013 | 10 | 10 |
| Tshepo Maake | 01/01/2013 | 10 | 10 |
| Dineo Molomo | 01/01/2013 | 10 | 10 |
| Jabhile Mbele | 01/01/2013 | 10 | 4 |

| Chairman's Committee Meetings (10 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Kwandiwe Kondlo | 01/01/2013 | 4 | 4 |
| Maletsatsi Maceba-Wotini | 01/01/2013 | 4 | 3 |
| Patricia Lebenya-Ntanzi | 01/01/2013 | 4 | 4 |
| Leo Mlambo | 01/01/2013 | 4 | 4 |
| Andile Ben-Mazwi | 01/01/2013 | 4 | 3 |
| Sikander Kajee | 01/01/2013 | 4 | 2 |
| Fazel Randera | 01/01/2013 | 4 | 1 |
| Mputumi Damane | 01/01/2013 | 4 | 1 |
| Tshepo Maake | 01/01/2013 | 4 | 4 |
| Dineo Molomo | 01/01/2013 | 4 | 3 |

| Audit and Risk Management Committee (6 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Kyansambo Vundla | 01/02/2013 | 5 | 4 |
| Putukwane Madisha | 01/02/2013 | 5 | 4 |
| David Bosa | 24/03/2011 | 5 | 5 |
| Moope Mphahlele | 01/02/2013 | 5 | 3 |
| Sikander Kajee | 10/05/2013 | 5 | 5 |
| Mfanufikile Nsibande | 10/05/2013 | 5 | 1 |

| Finance & Investment Committee (5 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Muputumi Damane | 10/05/2013 | 5 | 5 |
| Fazel Randera | 10/05/2013 | 5 | 2 |
| Jabhile Mbhele | 10/05/2013 | 5 | 4 |
| Dina Porteous | 10/05/2013 | 5 | 2 |
| Rhulani Marivate | 10/05/2013 | 5 | 0 |

| Human Resources and Remuneration Committee (6 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Tshepo Maake | 10/05/2013 | 7 | 1 |
| Patricia Lebenya-Ntanzi | 10/05/2013 | 7 | 7 |
| Maletsatsi Maceba Wotini | 10/05/2013 | 7 | 6 |
| Leo Mlambo | 10/05/2013 | 7 | 7 |
| Mfanufikile Nsibande | 10/05/2013 | 7 | 4 |
| Ewaldina Porteous | 10/05/2013 | 7 | 4 |

| Education and Training Committee (6 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Ewaldina "Dina" Porteous | 10/05/2013 | 8 | 5 |
| Andile Ben-Mazwi | 10/05/2013 | 8 | 1 |
| Leo Mlambo | 10/05/2013 | 8 | 7 |
| Dineo Molomo | 10/05/2013 | 8 | 7 |
| Pat Lebenya-Ntanzi | 10/05/2013 | 8 | 5 |
| Fazel Randera | 10/05/2013 | 8 | 7 |

| Transformation Committee (7 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Leo Mlambo | 10/05/2013 | 7 | 7 |
| Fazel Randera | 10/05/2013 | 7 | 4 |
| Patricia Lebenya-Ntanzi | 10/05/2013 | 7 | 4 |
| Andile Ben-Mazwi | 10/05/2013 | 7 | 6 |
| Maletsatsi Maceba Wotini | 10/05/2013 | 7 | 6 |
| Dineo Molomo | 10/05/2013 | 7 | 6 |
| Tshepo Maake | 10/05/2013 | 7 | 7 |

| Social and Ethics Committee (6 Members) | | | |
|---|---|---|---|
| **Member** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| Jill Corfield | 10/05/2013 | 3 | 2 |
| Tshepo Maake | 10/05/2013 | 3 | 2 |
| Maletsatsi Wotini | 10/05/2013 | 3 | 3 |
| Andile Ben Mazwi | 10/05/2013 | 3 | 2 |
| Leo Mlambo | 10/05/2013 | 3 | 3 |
| Dineo Molomo | 10/05/2013 | 3 | 2 |

## Governance Statement

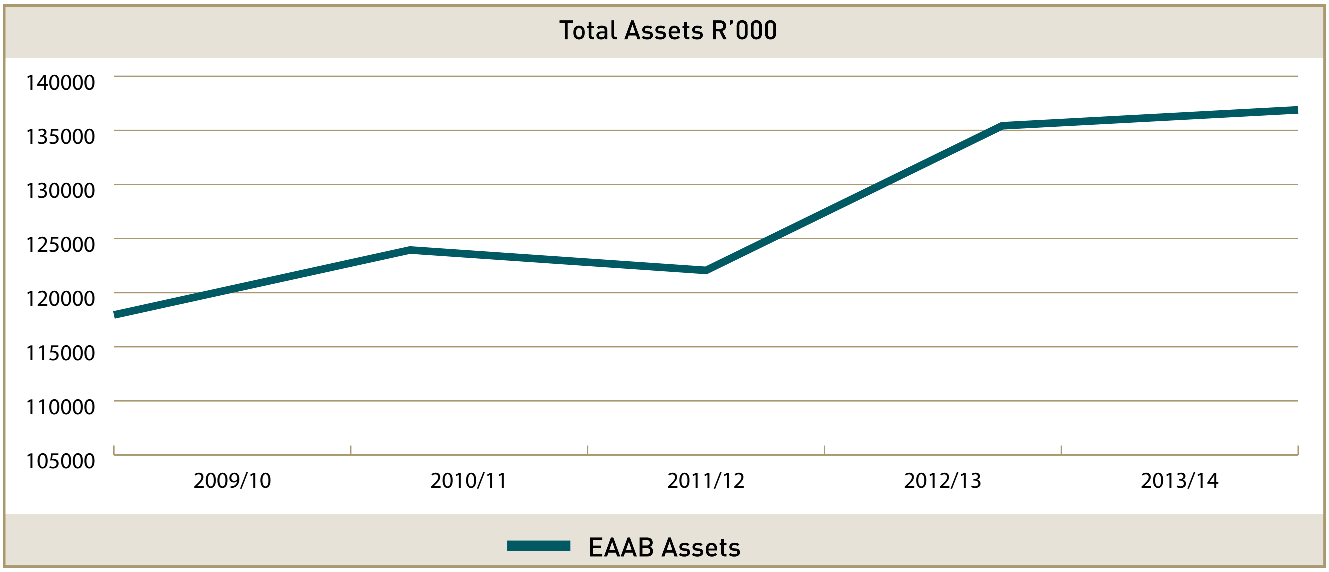
The Estate Agency Affairs Board ("EAAB") remains strongly dedicated to ensuring strict compliance with, amongst others, Public Finance Management Act, 1 of 1999, the Financial Intelligence Centre Act, Treasury Regulations, the Estate Agency Affairs Act, 112 of 1976, and the principles of sound corporate governance. The EAAB has, furthermore, consistently sought to fulfill its statutory regulatory mandate by having due regard to the precepts of responsible decision making, fairness, transparency, accountability and effective leadership.

# FINANCIAL OVERVIEW

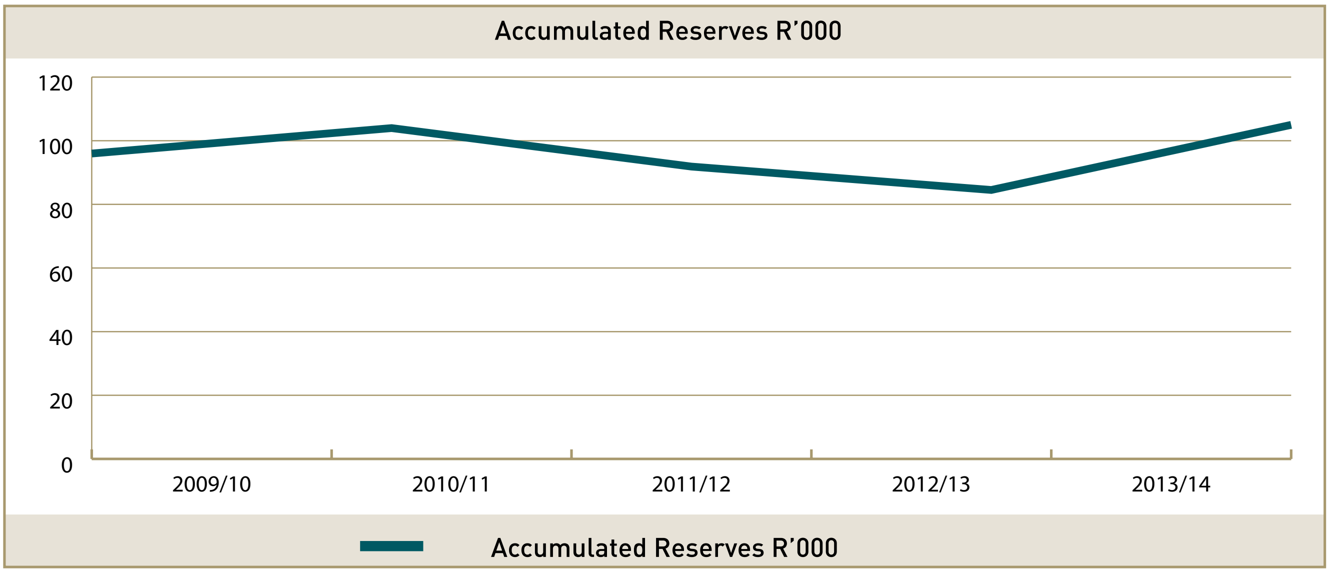
## THE ESTATE AGENCY AFFAIRS BOARD (EAAB)

A financial overview of the five (5) year period ended 31 March 2014 reveals the following key achievements:

Total assets grew by 16.04% from R117, 968 million to R136, 894 million;




Capital and reserves grew negatively by 8.33% from R96 million to R104 million



# FINANCIAL OVERVIEW...continued

## The Estate Agency Affairs Board 5 Year Review

| | 2013/14<br>R'000 | 2012/13<br>R'000 | 2011/12<br>R'000 | 2010/11<br>R'000 | 2009/10<br>R'000 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue - Contributions | 16,279 | 18,662 | 18,034 | 17,418 | 18,157 |
| Revenue - Management Fee | 52,253 | 52,983 | 30,535 | 29,250 | 26,976 |
| Revenue – Examinations (Study Guides) | 2,541 | 751 | 481 | 808 | 1,030 |
| Other Income | 9,439 | 10,663 | 5,685 | 7,922 | 3,594 |
| Operating Expenditure | (34,243) | (41,516) | (27,060) | (17,380) | (16,831) |
| Depreciation and Impairments | (2,348) | (366) | (1,779) | (2,110) | (1,781) |
| Auditors Remuneration | (1,461) | (1,666) | (1,165) | (941) | (762) |
| Employee Costs | (36,560) | (49 990) | (40,872) | (32,075) | (21,828) |
| Forensic Audit Fees | - | - | (1,060) | - | -- |
| Investment Income | 2,879 | 5,771 | 5,145 | 5,212 | 5,973 |
| Finance Costs | - | (3) | (41) | (84) | (346) |
| **Net Surplus/(Deficit)** | **8,779** | **(4,711)** | **(12,097)** | **8,020** | **14,182** |
| | | | | | |
| **BALANCE SHEET** | | | | | |
| Property, Plant and Equipment | 73,377 | 1,738 | 944 | 1,256 | 21,077 |
| Non-current assets held for sale | - | - | 18,839 | 18,839 | - |
| Intangible Assets | 2,055 | 1,963 | 2,041 | 2,099 | 2,411 |
| Retirement Benefit Assets | - | - | - | 2,369 | 5,279 |
| Inventories | 364 | 165 | 59 | 223 | 706 |
| Loan Fund - Fidelity Fund | 21,868 | 17,580 | 13,437 | 17,831 | - |
| Financial Assets | 1,355 | 27,450 | 77,193 | 74,859 | 71,710 |
| Trade and other Receivables | 3,940 | 1,428 | 5,558 | 1,978 | 1,259 |
| Bank and Cash | 33,935 | 85,099 | 3,989 | 4,490 | 15,502 |
| **Total Assets** | **136,894** | **135,423** | **122,060** | **123,944** | **117,944** |
| | | | | | |
| Capital and Reserves | 104,990 | 96,211 | 91,875 | 103,972 | 95,976 |
| Loan Fund - Fidelity Fund | - | - | - | - | 2,464 |
| Current Liabilities | 23,681 | 18,593 | 12,873 | 8,920 | 8,552 |
| Non-current Liabilities | 8,223 | 20,619 | 17,312 | 11,052 | 10,976 |
| **Total Equity and Liabilities** | **136,894** | **135,423** | **122,060** | **123,944** | **117,968** |

| | 2013/14 R'000 | 2012/13 R'000 | 2011/12 R'000 | 2010/11 R'000 | 2009/10 R'000 |
|---|---|---|---|---|---|
| **CASH FLOWS** | | | | | |
| Net cash from operating activities | 1,106 | 10,673 | (1,075) | 13,086 | 8,339 |
| Net cash from investing activities | (52,270) | 69,188 | 2,109 | (24,130) | 2,531 |
| Net cash from financing activities | - | (80) | (206) | 33 | 455 |
| **Total movement for the year** | **(51,164)** | **79,781** | **(828)** | **(11,011)** | **11,325** |
| Cash at the beginning of the year | 85,099 | 5,318 | 4,490 | 15,501 | 4,176 |
| **Total cash at the end of the year** | **33,395** | **85,099** | **5,318** | **4,490** | **15,501** |
| | | | | | |
| **RATIO ANALYSIS** | | | | | |
| % Year on year increase/(decrease) in total assets | 1% | 11% | (2%) | 5% | 15% |
| ***Profitability and net Asset Management*** | | | | | |
| Asset Turnover (%) | 68% | 86% | 53% | 46% | 48% |
| Return on net Assets (%) | 8% | (7%) | (13%) | 8% | 15% |
| Current Ratio | 3 | 7 | 8 | 11 | 8 |
| Operating Margin (%) | 12% | (10%) | (25%) | 17% | 31% |
| ***Performance*** | | | | | |
| % Year on year increase/(decrease) in net surplus/(deficit) | (219%) | 39% | (250%) | (43%) | (11 267%) |
| Revenue per employee (R'000) | 974 | 978 | 645 | 625 | 710 |
| Net surplus/(deficit) per employee (R'000) | | | | | |
| Number of employees | 73 | 74 | 76 | 76 | 65 |

**Ratio Definitions**

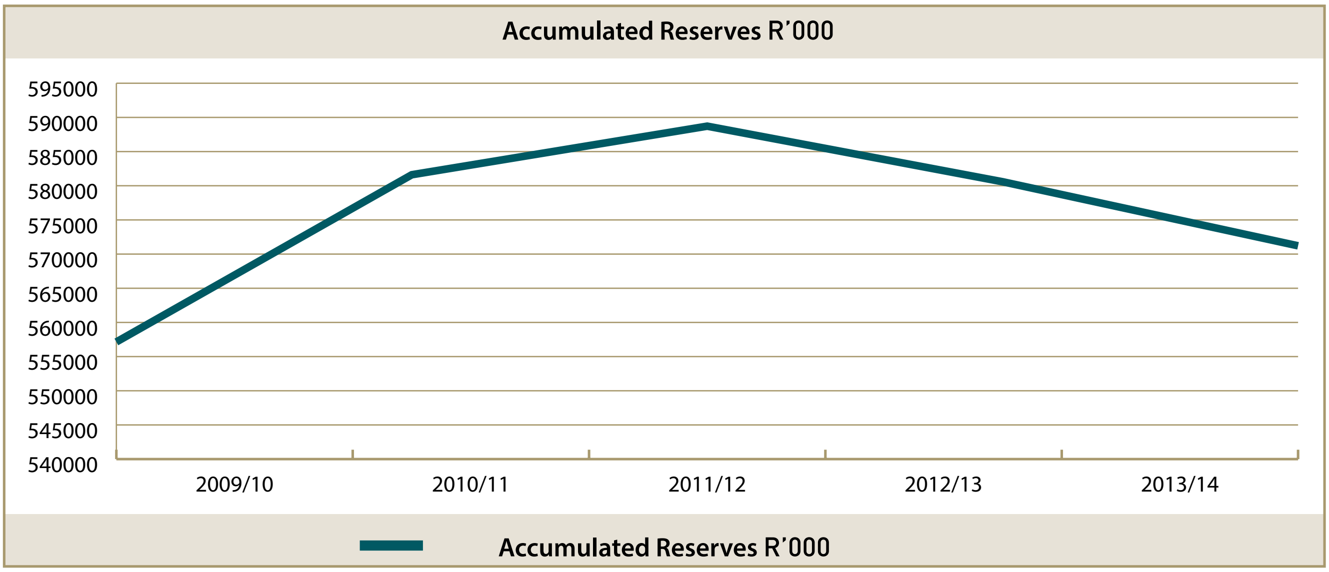
| | |
|---|---|
| Net Assets | Total assets less total liabilities |
| Asset Turnover | Revenue divided by net assets |
| Return on net assets | Net surplus as a percentage of net assets |
| Current ratio | Current assets to current liabilities |
| Operating margin | Net surplus/(deficit) as a percentage of revenue |

# FINANCIAL OVERVIEW...continued

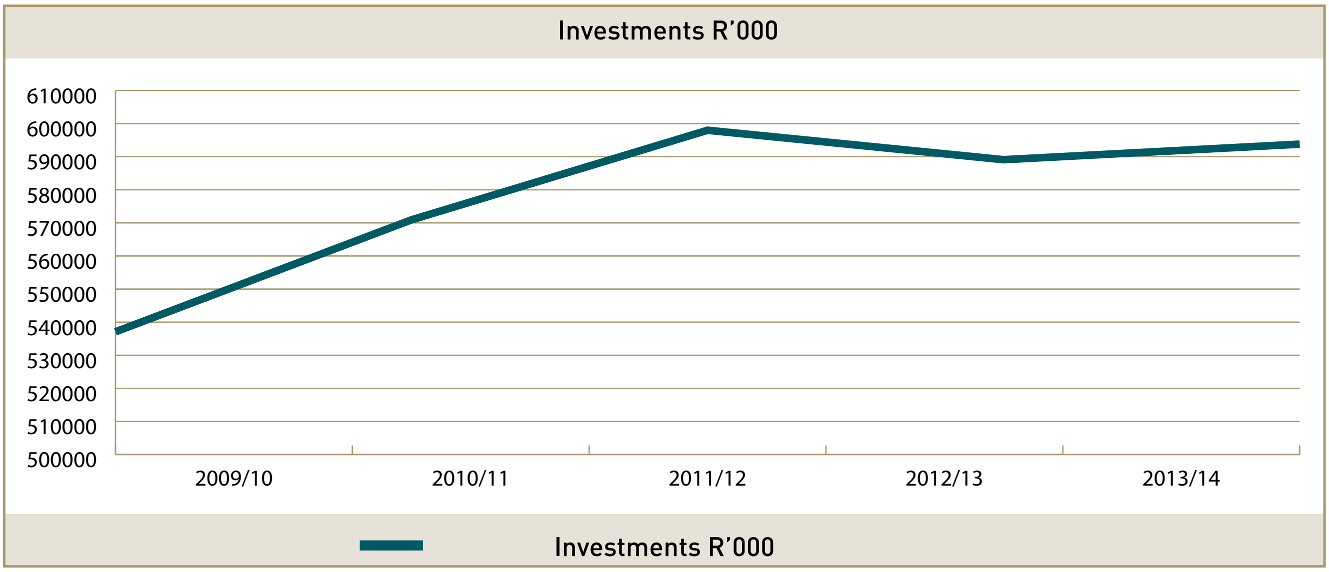
## THE ESTATE AGENTS FIDELITY FUND (EAFF)

A financial overview of the five (5) year period ended 31 March 2014 reveals the following key achievements:

The accumulated reserves of the fidelity fund grew by 2.53% over the five (5) year period from R557,144 million to R571, 213 million;




The Investments grew by 10.56% from R537, 085 to R593, 787;




The above figures reflect a healthy growth and management of the Fidelity fund over the last five (5) year period.

## The Estate Agents Fidelity Fund 5 Year Review

| | 2013/14 R'000 | 2012/13 R'000 | 2011/12 R'000 | 2010/11 R'000 | 2009/10 R'000 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue - Contributions | 19 737 | 21 796 | 20 987 | 24 539 | 33 412 |
| Other Income | 4 608 | 379 | 4 211 | 8 654 | 2 352 |
| Operating Expenditure | (19 459) | (12 165) | (23 631) | (19 139) | (9 646) |
| Management Fee - EAAB | (52 253) | (52 983) | (30 535) | (29 250) | (26 976) |
| Investment Income | 28 291 | 26 687 | 28 369 | 31 737 | 37 049 |
| Fair Value Adjustments | 9 703 | 8 173 | 7 685 | 7 926 | 7 133 |
| **Net Surplus/(Deficit)** | **(9 372)** | **(8 113)** | **7 087** | **24 467** | **43 324** |
| **BALANCE SHEET** | | | | | |
| Financial Assets | 472 814 | 511 089 | 597 987 | 570 922 | 537 085 |
| Trade and other Receivables | 4 696 | 10 405 | 7 774 | 3 652 | 2 789 |
| Loan Fund - EAAB | - | - | - | - | 2 464 |
| Bank and Cash | 127 494 | 86 809 | 2 248 | 29 443 | 15 047 |
| **Total Assets** | **605 005** | **608 303** | **608 009** | **604 017** | **557 385** |
| Capital and Reserves | 571 213 | 580 585 | 588 718 | 581 611 | 557 144 |
| Current Liabilities | 33 792 | 27 718 | 19 291 | 22 406 | 241 |
| **Total Equity and Liabilities** | **605 005** | **608 303** | **608 009** | **604 017** | **557 385** |
| **CASH FLOWS** | | | | | |
| Net cash from operating activities | (7 292) | (10 515) | (7 811) | 48 233 | 47 798 |
| Net cash from investing activities | 47 977 | 95 071 | (19 380) | (33 837) | (40 301) |
| **Total movement for the year** | **40 685** | **84 556** | **(27 191)** | **14 396** | **7 497** |
| Cash at the beginning of the year | 86 809 | 2 252 | 29 442 | 15 046 | 7 549 |
| **Total cash at the end of the year** | **127 494** | **86 808** | **2 251** | **29 442** | **15 046** |
| **RATIO ANALYSIS** | | | | | |
| Net Asset Value (R'000) | 571 213 | 580 585 | 588 718 | 581 611 | 557 144 |
| Management fee payable to EAAB as a percentage of net assets | (9%) | (9%) | (5%) | (5%) | (5%) |
| % Year on year increase/(decrease) in financial assets (Investments) | (7%) | (15%) | 5% | 6% | 8% |
| % Year on year increase/(decrease) in total assets | (1%) | 0% | 1% | 8% | 7% |
| ***Profitability and net Asset Management*** | | | | | |
| Asset Turnover (%) | (3%) | (4%) | (4%) | (4%) | 6% |
| Return on net Assets (%) | 2% | 1% | (1%) | (4%) | 8% |
| Current Ratio | 17.90 | 22 | 31.52 | 24 | 1 965 |
| Operating Margin (%) | (38%) | (37%) | 28% | 74% | 121% |

**Ratio Definitions**

| | |
|---|---|
| Net Assets | Total assets less total liabilities |
| Asset Turnover | Revenue divided by net assets |
| Return on net assets | Net surplus as a percentage of net assets |
| Current ratio | Current assets to current liabilities |
| Operating margin | Net surplus/(deficit as a percentage of revenue |

# ANNUAL PERFORMANCE REPORT – 2013/14

## PROGRAMME 1: COMPLIANCE

### Strategic objective

### To improve compliance with the Estate Agency Affairs Act.

This is performed through:

1.1 Regulating, maintaining and promoting the standard of conduct of estate agents having due regard to the public interest;
1.2 Issue fidelity fund certificates to qualifying applicants;
1.3 Investigate complaints against estate agents and institute disciplinary proceedings against offending estate agents where required;

### Processes utilised to meet objectives:

- New registration and renewal processes
- Property consumer complaints
- Investigations and disciplinaries
- Inspections

| **PROGRAMME 1: COMPLIANCE** | | | | | | |
|---|---|---|---|---|---|---|
| Strategic Objectives<br>• To improve compliance with the Estate Agency Affairs Act | | | | | | |
| **SUB-PROGRAMMES** | **OUTPUTS** | **Actual Achievements 2012/2013** | **Planned Targets 2013/2014** | **Actual Achievements 2013/2014** | **Deviation from planned target to Actual Achievement for 2013/2014 (under)/over performance** | **Comment on deviations below target** |
| **Disciplinary** | Number of complaints received investigated and resolved | 1028 | 1100 | 634 | (466) | The enforcement department was only adequately resourced in the 1st Quarter. The enforcement department was focused on late or no audit report submission prosecutions instead of complaints in the 4th Quarter. |
| **Inspection** | Number of inspections performed | 1008 | 1210 | 800 | (410) | The inspection department was under-capacitated for the first 3 quarters of the year under review. |
| **Licensing** | Number of new registration FFC's issued | 8296 | 9126 | 12484 | 3358 | N/A |
| | Number of renewals FFC issued | 49238 | 54152 | 34729 | (19423) | There was a reduction in estate agents renewals due to an increase in non-compliance of audit reports. |

## STRATEGY FOR UNDER-PERFORMING KPI`S

**Disciplinary:** EAAB currently evaluating the capacity of the Compliance department. In view of changes in legislation there will be a need to expand the enforcement department in order to cope with the growing work-load.

**Inspection:** The inspection department will be fully resourced internally at the end of the 1st quarter. 80% of the inspections were performed in the fourth quarter of the 2013/14 financial period. This momentum will be carried forward into the 2014/15 financial period.

**Licensing – Fidelity Fund Certificate renewals:** The target for renewals has been decreased in the 2014/15 financial period as the EAAB plans to be stricter on non-complying Estate Agents requesting renewals.

## PROGRAMME 2: CORPORATE SERVICES

### Strategic objective

### This is performed through:

1. To improve the effectiveness and effeciencies of the EAAB.
2. To increase stakeholder awareness of the EAAB and its role and services.

### Processes utilised to meet objectives:

- Consumer education workshops;
- Estate agents increased education and awareness throgh stakeholder roadshows and training workshops;
- Website information;
- AGENT publications;
- E-newsletters;
- Improved customer satisfaction;
- Audit report submissions;
- Infornation technology;
- Human resource management; and
- Finance and administration.

| PROGRAMME 2: CORPORATE SERVICES | | | | | | |
|---|---|---|---|---|---|---|
| **SUB PROGRAMMES** | **OUTPUTS** | **Actual Achievements 2012/2013** | **Planned Targets 2013/2014** | **Actual Achievements 2013/2014** | **Deviation from planned target to Actual Achievement for 2013/2014 (under)/over performance** | **Comment on deviations** |
| **Consumer Awareness** | Consumer awareness workshops conducted | 12 | 16 | 13 | (3) | Lack of capacity to perform adequate consumer awareness workshops |
| **Stakeholder Relations Communication** | Estate agent awareness seminars conducted | 12 | 16 | 22 | 6 | N/A |
| **Publications** | Number of AGENT magazines produced | 4 | 4 | 4 | 0 | N/A |
| **MyEAAB online portal-automation for registration processes** | Number of online registrations performed | 364 | 500 | 311 | (189) | Awareness initiatives has resulted in a slow reaction from stakeholders |

## STRATEGY FOR UNDER-PERFORMING KPI`S

**Automation of registration process:** The marketing and publication department has continued to perform awareness campaigns of the MyEAAB online portal, results of which are envisaged in the next financial year.

## PROGRAMME 3: FIDELITY FUND

### Strategic objective

- To improve the sustainability of the Fidelity Fund

### Processes utilised to meet objectives:

- Claims approval and payments
- Claims recoveries
- Collection of Interest on Trust Accounts from Estate Agents
- Investment of fidelity funds

**PROGRAMME 3: FIDELITY FUND**

Strategic Objectives

- To improve the sustainability of the Fidelity Fund.

| SUB PROGRAMMES | OUTPUTS | Actual Achievements 2012/2013 | Planned Targets 2013/2014 | Actual Achievements 2013/2014 | Deviation from planned target to Actual Achievement for 2013/2014 | Comment on deviations |
|---|---|---|---|---|---|---|
| **Fidelity Fund Growth** | Value of claims approved | R1,925,000 | Maximum of R4,000,000 | R3,051,254 | R948,746 | N/A |
| | Interest received from estate agents trust account | R10,507,000 | R20,000,000 | R17,085,869 | (R2,914,131) | This is due to lower renewals than expected. |
| | Value of claims recoveries | R1,925,000 | R2,000,000 | R0 | (R2,000,000) | The Litigation and Recoveries department was under-capacitated for most of the financial year |
| | Interest received from investments | R30,384,000 | R32,000,000 | R31,277,029 | (R722,971) | Decrease in Fidelity fund investments has resulted in lower return on investments. |
| | Fidelity fund growth | 2.2% Fidelity fund Growth | 5.4% Fidelity Fund Growth | 0.014% Fidelity Fund Growth | (5.386%) | Fidelity fund income grew below expectation and expenditure was higher than expected, mainly due to an increase in legal costs due to high prosecution on non-compliant estate agents. |

## STRATEGY FOR UNDER-PERFORMING KPI`S

**Interest received from estate agents trust accounts:** The EAAB is currently engaging with large property businesses which are performing the functions of estate agents but have never registered with the EAAB or paid for a Fidelity Fund Certificate to enter into agreements as part of revenue generation objective which includes the collection of interest on trust funds.

**Claims recoveries process:** The claims recoveries process has embarked on forming partnerships with relevant debt collectors and tracing companies who will assist with the recovery of the claims which also includes the court proceedings process.

**Interest received from Investments:** The new legislative framework will include the flexibility of selection of Investment Assets (i.e. investments in equities, etc.) for the Fidelity Fund which will improve the return on investments.

**Fidelity Fund growth:** The initiatives implemented for Interest received from Estate Agents Trust accounts, Claims recoveries process and Interest received from Investments should lead to growth in the Fidelity Fund.

**Licensing-renewals:** The target for renewals has been decreased in the 2014/15 financial period as the EAAB plans to be stricter on non-complying Estate Agents requesting renewals.

**Licensing – Fidelity Fund Certificate renewals:** The target for renewals has been decreased in the 2014/15 financial period as the EAAB plans to be stricter on non-complying Estate Agents requesting renewals.

## PROGRAMME 4: EDUCATION AND TRAINING OF ESTATE AGENTS

### Strategic objective

To build additional capacity for key stakeholders and professionalise the real estate sector.

### This will be performed through:

Prescribing the education and training curricula for estate agents through the South African Quality Authority (SAQA) for accredited Real Estate qualifications.

### Processes utilised to meet objectives:

- Estate agents certification – Professional Designation Examination
- Accreditation of RPL service providers
- Provision of study material
- Implementation of Continuing Professional Development (CPD) process

**PROGRAMME 4: EDUCATION AND TRAINING**

Strategic Objectives
- To build capacity of key stakeholders

| SUB-PROGRAMMES | OUTPUTS | Actual Achievements 2011/2012 | Planned Targets 2013/2014 | Actual Achievements 2013/2014 | Deviation from planned target to Actual Achievement for 2013/2014 | Comment on deviations |
|---|---|---|---|---|---|---|
| **Education and Training** | Number of NQF Level 4 candidates enrolled and passed PDE 4 | 300 | 1000 | 1266 | 266 | N/A. |
| | Number of NQF Level 5 candidates enrolled and passed PDE 5 | 100 | 150 | 337 | 187 | N/A |
| | Number of candidates enrolled for the CPD | 0 | 1500 | 0 | (1500) | The selection of CPD system service providers has taken longer than expected. The cost of procuring the service is higher than expected and therefore required a tender process. |

## STRATEGY FOR UNDER-PERFORMING KPI`S

**Number of candidates enrolled for the CPD:** The CPD implementation has been delayed due to the slow turnaround of the procurement process. However, this process will be completed in the 2014/15 and subsequently implemented.

# Estate Agency Affairs Board consolidated and separate financial statements
*for the year ended 31 March 2014*

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# STATEMENT RESPONSIBILITY

The Board of the Estate Agency Affairs Board ("EAAB") as the accounting authority is required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the consolidated and separate financial statements and related financial information included in this report. It is its responsibility to ensure that the consolidated and separate financial statements fairly present the state of affairs of the EAAB as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the consolidated and separate financial statements and were given unrestricted access to all financial records and related data.

The consolidated and separate financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The consolidated and separate financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the EAAB and places considerable importance on maintaining a strong control environment. To enable the Board to meet these responsibilities, the standards were set for internal control aimed at reducing the risk of error or deficit 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 EAAB and all employees are required to maintain the highest ethical standards in ensuring the EAAB's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the EAAB is on identifying, assessing, managing and monitoring all materials risks across the EAAB. While operating risk cannot be fully eliminated, the EAAB 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, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Board has reviewed the EAAB's cash flow forecast for the year to 31 March 2015 and, in the light of this review and the current financial position, it is satisfied that the EAAB has or has access to adequate resources to continue in operational existence for the foreseeable future.

The consolidated and separate financial statements set out on pages **78** to **115**, which have been prepared on the going concern basis, were approved on 30 July 2014 and were signed on its behalf by:

**Prof. K. Kondlo**
**Chairperson**

**Mr. B Chaplog**
**Chief Executive Officer**

# AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2014.

**Audit and risk committee members and attendance**

The audit and risk committee consists of the members listed hereunder and met four times during the year in terms of its approved terms of reference. The Chief Executive Officer,Chief Financial Officer and the Chief Risk Officer were invited to attend all meetings of this committee.

| Name of member | Number of meetings attended |
|---|---|
| Ms K Vundla (Chairperson) (Appointed: 01/02/2013) | 4 (No. of meetings held: 5) |
| Mr D Bosa (Appointed: 24/03/2011) | 5 (No. of meetings held: 5) |
| Mr M M Mphahlele (Appointed: 01/02/2013) | 3 (No. of meetings held: 5) |
| Mr P I Madisha (Appointed: 01/02/2013) | 4 (No. of meetings held: 5) |
| Mr S Kajee (Appointed: 01/01/2013) | 5 (No. of meetings held: 5) |
| Mr B M Nsibande (Appointed: 01/01/2013) | 1 (No. of meetings held: 5) |

**Audit and risk committee responsibility**

The audit and risk committee reports that it has complied with its responsibilities arising from section 51(1)(a)(ii) of the PFMA and Treasury Regulation 27.1.

The audit and risk committee also reports that it has adopted appropriate formal terms of reference as its audit and risk committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

**The effectiveness of internal control**

The system of internal controls applied by the entity over financial and risk management is effective, efficient and transparent. In line with the PFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit and risk committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the consolidated and separate financial statements, and the management report of the external auditors, it was noted that, other than the issues raised in the report of the external auditors, no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

**Evaluation of financial statements**

The audit and risk committee has:

- reviewed and discussed the audited consolidated and separate financial statements to be included in the annual report, with the external auditors;
- reviewed the external auditors's management report and management's response thereto;
- reviewed the entities compliance with legal and regulatory provisions; and
- reviewed the going concern of the Estate Agency Affairs Board and its controlled entity.

The audit and risk committee concur with and accept the external auditors's report the consolidated and separate financial statements, and are of the opinion that the audited consolidated and separate financial statements should be accepted and read together with the report of the external auditors.

**Internal audit**

The internal audit activities were conducted throughout the financial year in accordance with the internal audit plan as approved by the audit and risk committee.

We are therefore satisfied that the internal audit function was operating effectively and that it has addressed the risks pertinent to the entity.

**Independent Audit**

We have met with the external auditors to ensure that there are no unresolved issues.

**Ms K Vundla**
**Chairperson of the Audit Committee**
**Date: 31 July 2014**

# INDEPENDENT AUDITORS' REPORT

NGUBANE & CO.

CHARTERED ACCOUNTANTS • CONSULTANTS • FORENSIC INVESTIGATORS

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

We have audited the consolidated and separate financial statements of the Estate Agency Affairs Board set out on pages **78** to **115,** which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated and separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Estate Agency Affairs Board as at 31 March 2014 and financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Reportable irregularity

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified certain unlawful acts or omissions committed by persons responsible for the management of the entity which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in note 26 to the financial statements, which matters have since been rectified by the Board at the date of signing this report.

### Predetermined objectives

In accordance with the Public Audit Act and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives, non-compliance with laws and legislation as well as internal control. The objective of our test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

We have audited the reported performance information for the following selected programmes presented in the annual performance report of the Estate Agency Affairs Board for the year ended 31 March 2014:

- Compliance on page 63-64
- Corporate services on page 65
- Fidelity fund on page 66-67
- Education and training on page 68

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury's Framework for managing programme performance information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the selected programmes (compliance, corporate services and fidelity fund) are as follows:

Non-compliance with Framework for managing programme performance information (FMPPI) issued by the National Treasury are as follows:

- Performance Information Procedure Manual not updated on an ongoing basis.
- Annual performance plan not reviewed and updated. There is no budget allocation per programme.
- Targets not achieved and thus the indicators do not meet SMART criteria.
- Performance information system is not integrated with financial and reporting management system.
- Inadequate review of performance information reports.
- Policies and procedures did not cover/explain roles and responsibilities of staff members.

### Additional matters

We draw attention to the following matters:

### Achievement of planned targets

Refer to the annual performance report on page **63** to **68** for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in this report.

Of the total number of sixteen targets planned for the year, nine of the targets were not achieved during the year under review. These represent 56% of total planned targets that were not achieved during the year under review.

These were mainly due to the fact that the indicators and targets were not suitably developed during the strategic planning process.

### Adjustment of material misstatements

No material adjustments to the annual performance report were identified during the year under review.

### Compliance with laws and legislation

We performed procedures to obtain evidence that the entity had complied with applicable laws and legislations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act, are as follows:

### Treasury regulations

Performance information not complying with Framework for managing programme performance information.

### Public Finance Management Act

Irregular expenditure register provided was incomplete and not maintained as required in terms of section 51 of the PFMA.

### Estate Agency Affairs Board Act

Disqualified board members did not vacate their office for not submitting audit reports as required by section 27(1) and section 3(7) of the EAAB Act. The Board members have since vacated their offices.

A Board member did not vacate office for not attending board meetings as per the EAAB Act section 3(7) (e). The Board member has since vacated office.

### Internal control

We considered internal control relevant to our audit of the consolidated and separate financial statements, annual performance report and compliance with laws and legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the findings on non-compliance with laws and legislation included in this report.

### Leadership

Limited oversight over the financial reporting and compliance with related internal controls.

### Financial and performance management

Reviewing and monitoring of compliance with laws and regulations was not adequate.

Limited implementation of formal controls over information technology systems to ensure the reliability of the systems and reliability of the systems and availability, accuracy performance management information.

Ngubane & Co

**Ngubane & Co. (JHB) Inc**
**Director: Ephraem Sibanda**
**Registered auditor**
**31 July 2014**

# STATEMENT OF FINANCIAL POSITION

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note(s) | R | R | R | R |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Inventories | 8 | 364 084 | 164 587 | 364 084 | 164 587 |
| Loan Fund - Fidelity Fund | 5 | - | - | 21 868 156 | 17 580 223 |
| Financial assets | 6 | 474 168 938 | 538 539 056 | 1 354 526 | 27 450 292 |
| Trade and other receivables from exchange transactions | 9 | 8 636 566 | 11 833 502 | 3 940 115 | 1 427 697 |
| Cash and cash equivalents | 10 | 161 429 726 | 171 908 153 | 33 935 752 | 85 099 491 |
| | | **644 599 314** | **722 445 298** | **61 462 633** | **131 722 290** |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 73 376 614 | 1 738 219 | 73 376 614 | 1 738 219 |
| Intangible assets | 4 | 2 054 808 | 1 963 297 | 2 054 808 | 1 963 297 |
| | | **75 431 422** | **3 701 516** | **75 431 422** | **3 701 516** |
| **Total Assets** | | **720 030 736** | **726 146 814** | **136 894 055** | **135 423 806** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 13 | 31 313 679 | 23 775 849 | 20 647 509 | 16 355 454 |
| Provisions | 12 | 3 905 614 | 4 567 226 | 2 648 169 | 1 849 765 |
| Current portion of post-retirement medical aid liability | 7 | 385 000 | 388 000 | 385 000 | 388 000 |
| | | **35 604 293** | **28 731 075** | **23 680 678** | **18 593 219** |
| **Non-Current Liabilities** | | | | | |
| Post -retirement pension fund liability | 7 | 806 000 | 13 121 000 | 806 000 | 13 121 000 |
| Non-current portion of post-retirement medical aid liability | 7 | 7 417 000 | 7 498 000 | 7 417 000 | 7 498 000 |
| | | **8 223 000** | **20 619 000** | **8 223 000** | **20 619 000** |
| **Total Liabilities** | | **43 827 293** | **49 350 075** | **31 903 678** | **39 212 219** |
| **Net Assets** | | **676 203 443** | **676 796 739** | **104 990 377** | **96 211 587** |
| **Net Assets** | | | | | |
| Accumulated surplus | | 676 203 443 | 676 796 739 | 104 990 377 | 96 211 587 |

# STATEMENT OF FINANCIAL PERFORMANCE

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note(s) | R | R | R | R |
| Revenue from exchange transactions | 14 | 76 550 074 | 76 068 034 | 71 071 487 | 72 395 433 |
| Other income | 15 | 14 047 276 | 3 881 691 | 9 439 271 | 3 502 361 |
| Operating expenses | | (50 677 042) | (52 423 506) | (31 892 783) | (40 838 941) |
| Auditors remuneration | | (1 461 166) | (1 665 500) | (1 461 166) | (1 665 500) |
| Depreciation and amortisation | | (2 347 825) | (286 779) | (2 347 825) | (286 779) |
| Employee costs | 16 | (36 559 806) | (49 990 207) | (36 559 806) | (49 990 207) |
| Board members emoluments | 22 | (2 192 516) | (586 129) | (2 192 516) | (586 129) |
| Audit committee emoluments | 22 | (156 775) | (91 281) | (156 775) | (91 281) |
| Impairment loss | 17 | - | (79 360) | - | (79 360) |
| **Operating (deficit) surplus** | | **(2 797 780)** | **(25 173 037)** | **5 899 887** | **(17 640 403)** |
| Investment income | | 2 204 486 | 5 191 106 | 2 878 904 | 5 771 180 |
| Gain on non-current assets held for sale or disposal groups | | - | 7 160 959 | - | 7 160 959 |
| Finance costs | | - | (2 654) | - | (2 654) |
| **(Deficit) surplus for the year** | | **(593 294)** | **(12 823 626)** | **8 778 791** | **(4 710 918)** |

# STATEMENT OF CHANGES IN NET ASSETS

| | Revaluation reserve | Accumulated surplus | Total net assets |
|---|---|---|---|
| | R | R | R |
| **Group** | | | |
| Opening balance as previously reported | 9 775 194 | 670 797 171 | 680 572 365 |
| Adjustments | | | |
| Correction of prior year error | - | 9 048 000 | 9 048 000 |
| **Balance at 01 April 2012 as restated*** | **9 775 194** | **679 845 171** | **689 620 365** |
| Transfer of revaluation surplus to accumulated surplus | (9 775 194) | 9 775 194 | - |
| Deficit for the year | - | (12 823 626) | (12 823 626) |
| **Balance at 01 April 2013** | **-** | **676 796 736** | **676 796 736** |
| Surplus for the year | - | (593 294) | (593 294) |
| **Balance at 31 March 2014** | **-** | **676 203 442** | **676 203 442** |
| **Board** | | | |
| Opening balance as previously reported | 9 775 194 | 82 099 311 | 91 874 505 |
| Adjustments | | | |
| Correction of prior year error | - | 9 048 000 | 9 048 000 |
| **Balance at 01 April 2012 as restated*** | **9 775 194** | **91 147 311** | **100 922 505** |
| Transfer of revaluation surplus to accummulated reserves | (9 775 194) | 9 775 194 | - |
| Deficit for the year | - | (4 710 918) | (4 710 918) |
| **Balance at 01 April 2013** | **-** | **96 211 585** | **96 211 585** |
| Surplus for the year | - | 8 778 791 | 8 778 791 |
| **Balance at 31 March 2014** | **-** | **104 990 376** | **104 990 376** |

# CASH FLOW STATEMENT

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2014 | 2013 | 2014 | 2013 |
| | Note(s) | R | R | R | R |
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Cash received from estate agents and other sources | | 93 594 789 | 128 578 776 | 77 798 843 | 79 921 882 |
| Interest income | | 2 204 486 | 5 191 106 | 2 878 904 | 5 771 180 |
| | | 95 799 275 | 133 769 882 | 80 677 747 | 85 693 062 |
| **Payments** | | | | | |
| Cash paid to suppliers and employee costs | | (96 570 088) | (129 578 892) | (79 571 587) | (75 017 315) |
| Finance costs | | - | (2 654) | - | (2 654) |
| | | (96 570 088) | 129 581 546) | (79 571 587) | (75 019 969) |
| **Net cash flows from operating activities** | 19 | **(770 813)** | **4 188 336** | **1 106 160** | **10 673 093** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 3 | (73 545 672) | (519 652) | (73 545 672) | (519 652) |
| Proceeds from sale of property, plant and equipment | 3 | - | 26 000 000 | - | 26 000 000 |
| Purchase of other intangible assets | 4 | (532 060) | (562 903) | (532 060) | (562 903) |
| Changes in the Loan Fund | | - | - | (4 287 933) | (4 142 908) |
| Realisation/(acquisition) of financial assets | | 64 370 118 | 135 311 474 | 26 095 766 | 48 413 430 |
| **Net cash flows from investing activities** | | **(9 707 614)** | **160 228 919** | **(52 269 899)** | **69 187 967** |
| **Cash flows from financing activities** | | | | | |
| Finance lease payments | | - | (79 670) | - | (79 670) |
| **Net increase/(decrease) in cash and cash equivalents** | | **(10 478 427)** | **164 337 585** | **(51 163 739)** | **79 781 390** |
| Cash and cash equivalents at the beginning of the year | | 171 908 153 | 7 570 568 | 85 099 491 | 5 318 101 |
| **Cash and cash equivalents at the end of the year** | 10 | **161 429 726** | **171 908 153** | **33 935 752** | **85 099 491** |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| Budget on Cash Basis | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | |
| **Group** | | | | | | |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| FFC contributions | 22 190 924 | - | **22 190 924** | 18 265 986 | **(3 924 938)** | |
| Interest on trust funds | 24 931 000 | - | **24 931 000** | 17 749 167 | **(7 181 833)** | |
| Investment income | 34 563 040 | - | **34 563 040** | 40 198 620 | **5 635 580** | |
| Income from examinations | 6 540 280 | - | **6 540 280** | 2 540 790 | **(3 999 490)** | |
| Claims recoverable | 7 000 000 | - | **7 000 000** | 3 470 924 | **(3 529 076)** | |
| Other income | 4 401 907 | - | **4 401 907** | 10 576 352 | **6 174 445** | |
| **Total revenue from exchange transactions** | **99 627 151** | - | **99 627 151** | **92 801 839** | **(6 825 312)** | |
| **Expenditure** | | | | | | |
| Employee costs | (51 709 608) | - | **(51 709 608)** | (36 559 805) | **15 149 803** | |
| Board members remuneration | (1 461 591) | - | **(1 461 591)** | (2 192 516) | **(730 925)** | |
| Administrative costs | (45 404 131) | - | **(45 404 131)** | (54 642 811) | **(9 238 680)** | |
| **Total expenditure** | **(98 575 330)** | - | **(98 575 330)** | **(93 395 132)** | **5 180 198** | |
| **Surplus (deficit)** | **1 051 821** | - | **1 051 821** | **(593 293)** | **(1 645 114)** | |

| Budget on Cash Basis | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|---|---|---|---|---|---|
| | R | R | R | R | R | |
| **Board** | | | | | | |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| FFC contributions | 20 727 888 | - | **20 727 888** | 16 278 033 | **(4 449 855)** | |
| Management fee | 52 578 380 | - | **52 578 380** | 52 252 664 | **(325 716)** | |
| Investment income | 1 801 040 | - | **1 801 040** | 2 878 904 | **1 077 864** | |
| Examinations | 6 540 280 | - | **6 540 280** | 2 540 790 | **(3 999 490)** | |
| Other income | 4 401 907 | - | **4 401 907** | 9 439 271 | **5 037 364** | |
| **Total revenue from exchange transactions** | **86 049 495** | **-** | **86 049 495** | **83 389 662** | **(2 659 833)** | |
| **Expenditure** | | | | | | |
| Employee costs | (51 709 608) | - | **(51 709 608)** | (36 559 805) | **15 149 803** | |
| Board members remuneration | (1 461 591) | - | **(1 461 591)** | (2 192 516) | **(730 925)** | |
| Administrative costs | (31 873 131) | - | **(31 873 131)** | (35 858 549) | **(3 985 418)** | |
| **Total expenditure** | **(85 044 330)** | **-** | **(85 044 330)** | **(74 610 870)** | **10 433 460** | |
| **Surplus/(deficit)** | **1 005 165** | **-** | **1 005 165** | **8 778 792** | **7 773 627** | |

# ACCOUNTING POLICIES

## 1. Basis of preparation

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Consolidation

**Basis of consolidation**

Consolidated financial statements are the financial statements of the economic entity presented as those of a single entity.

The consolidated financial statements incorporate the financial statements of the Estate Agency Affairs Board ("EAAB") and its controlled entity, Estate Agents Fidelity Fund ("EAFF") presented as those of a single entity.

Control exists when the EAAB has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The results of the EAFF, are included in the consolidated financial statements from the effective date of acquisition or date when control commences to the effective date of disposal or date when control ceases. The difference between the proceeds from the disposal of the controlled entity and its carrying amount as of the date of disposal, including the cumulative amount of any exchange differences that relate to the controlled entity recognised in net assets in accordance with the Standard of GRAP on The Effects of Changes in Foreign Exchange Rates, is recognised in the consolidated statement of financial performance as the surplus or deficit on the disposal of the controlled entity.

An investment in an entity is accounted for in accordance with the Standards of GRAP on Financial Instruments from the date that it ceases to be a controlled entity, unless it becomes an associate or a jointly controlled entity, in which case it is accounted for as such. The carrying amount of the investment at the date that the entity ceases to be a controlled entity is regarded as the fair value on initial recognition of a financial asset in accordance with the Standards of GRAP on Financial Instruments.

The financial statements of the EAAB and its controlled entity used in the preparation of the consolidated financial statements are prepared as of the same reporting date.

When the reporting dates of the controlling entity and a controlled entity are different, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the controlling entity unless it is impracticable to do so. When the financial statements of a controlled entity used in the preparation of consolidated financial statements are prepared as of a reporting date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's financial statements. In any case, the difference between the reporting date of the controlled entity and that of the controlling entity shall be no more than three months. The length of the reporting periods and any difference in the reporting dates is the same from period to period.

Adjustments are made when necessary to the financial statements of the EAFF to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Minority interests in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets. Losses applicable to the minority in a consolidated controlled entity may exceed the minority interest in the controlled entity's net assets. The excess, and any further losses applicable to the minority, are allocated against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make an additional investment to cover the losses. If the controlled entity subsequently reports surpluses, such surpluses are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

Minority interests in the surplus or deficit of the economic entity is separately disclosed.

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs 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.
The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

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

| **Item** | **Average useful life** |
|---|---|
| Land | Indefinite |
| Buildings | 40 - 50 years |
| Furniture and fixtures | 10 - 15 years |
| Motor vehicles | 5 - 11 years |
| Office equipment | 3 - 10 years |
| Computer equipment | 3 - 10 years |
| Library materials | 15 - 50 years |

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

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.3 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.
An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| **Item** | **Useful life** |
|---|---|
| Patents, trademarks and other rights | 5 - 10 years |
| Computer software, internally generated | 5 -10 years |

### 1.4 Financial instruments

#### Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial instruments at fair value
- Financial instruments at cost
- Financial instrument at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.
For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Regular way purchases of financial assets are accounted for at settlement date.

#### Subsequent measurement

Financial instruments at fair value are subsequently measured at fair value based on the quoted prices in an active market, unless the market for a financial instrument is not active, in which case the entity establishes a fair value using a valuation technique.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Financial instruments at cost are subsequently measured at cost.

#### Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

#### Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

**Loans to (from) economic entities**

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost.

**Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

### Payables from exchange transactions

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.5 Tax

### Tax expenses

Estate Agency Affairs Board is a schedule 3, Part A Public Entity and is therefore, exempt from VAT and Income tax.

### 1.6 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments.The corresponding liability to the lessor is included in the statement of financial position as a finance lease liability.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. Lease payments are apportioned between the finance charge and reduction of the outstanding liability so as to achieve a constant rate of interest on the remaining balance of the liability.The finance charge are charged directly to surplus or deficit, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the entity's general policy on borrowing costs.

Contingent rentals are recognised as expenses in the period in which they are incurred.

### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.7 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.9 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 surplus 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.

#### 1.9.1 Employee benefits - Defined benefit plan

The Board provides a defined benefit pension plan for the benefit of its employees.

For defined benefit plans the cost of providing the benefits is determined using the projected credit method. Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

The defined benefit liability or asset recognised in the financial statements represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduced by the fair value of plan assets.

Any net asset recognised is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reduction in future contributions that the entity is entitled to in terms of section 15E of the Pension Funds Act.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Actuarial gains and losses are recognised immediately in income or expense in the period the benefits are vested, otherwise they are recognised when it is probable that the expense will be incurred.

Surplus or deficit on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

**Other post- retirement obligations**

The entity provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations annually.

**1.10 Provisions and contingencies**

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when the entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity.

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The economic entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the economic entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the economic entity considers that an outflow of economic resources is probable, an economic entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.11 Revenue from exchange transactions

Fidelity Fund Certificates (FFC) revenue is derived from levies paid for the issuing of FFC's in the course of ordinary activities as prescribed by the Estate Agency Affairs Act 112 of 1976 and approved by the Minister of Trade and Industry. Revenue is recognised when persuasive evidence exists, usually in the form of an FFC issued in terms of the Estate Agency Affairs Act, that the significant risks and rewards of ownership have been transferred to the estate agent, recovery of the consideration is probable, the associated costs of the FFC can be estimated reliably, there is no continuing management involvement with the FFC once issued, and the amount of the revenue can be measured reliably.

Revenue from FFC is recognised when the fidelity fund certificate is issued.

**Sale of study guides**

Revenue from the sale of study guides is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

Revenue from management fees is recognised in surplus or deficit when services are rendered and the value of service rendered can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable.

**Interest, royalties and other income**

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Penalties charged to agents on the late renewal of an FFC are recognised upon issue of the FFC.

Penalties on the late submission of auditors reports are recognised when cash is received.
Advertising fee is recognised when the advertisement is published.

All other income is recognised when the related FFC is issued.

### 1.12 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.13 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.14 Budget information

Economic Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives. The approved budget covers the fiscal period from 2013/04/01 to 2014/03/31.
The budget for the group includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.15 Use of estimates

The preparation of the entity's financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entity's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on the management's best knowledge of the current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

### 1.16 Significant judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### Impairment of non-financial assets

The entity assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Indefinite life intangibles are tested for impairment annually and other times when such indicators exist. Other non financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Useful lives and residual values

The useful lives and residual values of property, plant and equipment are reviewed at each balance sheet date. These useful lives and residual values are estimated by management based on historic analysis and other available information and any changes noted are accounted for as changes in accounting estimates.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**2. New standards and interpretations**

**2.1 Standards and interpretations issued, but not yet effective**

The following Standards of GRAP and / or amendments thereto have been issued by the Accounting Standards Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The EAAB has not early-adopted any of these new Standards or amendments thereto, but has referred to them for guidance in the development of accounting policies in accordance with GRAP 3 as read with Directive 5:

| Standard/ Interpretation | | Effective Date | Expected Impact |
|---|---|---|---|
| **GRAP 18:** | Segment reporting | 01 April 2016 | None |
| **GRAP 32:** | Service concession arrangements: Grantor | 01 April 2015 | None |
| **GRAP 108:** | Statutory receivables | 01 April 2015 | None |
| **GRAP 17:** | Service concession arrangements: Where a grantor controls a significant residual interest in an asset | 01 April 2015 | None |

**3. Property, plant and equipment**

| **Group** | **2014** | | | **2013** | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Land | 15 925 800 | - | 15 925 800 | - | - | - |
| Buildings | 56 870 240 | (1 301 313) | 55 568 927 | - | - | - |
| Furniture and fixtures | 1 573 906 | (936 633) | 637 273 | 1 388 192 | (828 661) | 559 531 |
| Motor vehicles | 236 397 | (192 659) | 43 738 | 236 397 | (155 893) | 80 504 |
| Office equipment | 1 150 044 | (569 615) | 580 429 | 882 457 | (452 781) | 429 676 |
| Computer equipment | 1 744 894 | (1 124 447) | 620 447 | 1 448 560 | (780 052) | 668 508 |
| **Total** | **77 501 281** | **(4 124 667)** | **73 376 614** | **3 955 606** | **(2 217 387)** | **1 738 219** |

| **Board** | **2014** | | | **2013** | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Land | 15 925 800 | - | 15 925 800 | - | - | - |
| Buildings | 56 870 240 | (1 301 313) | 55 568 927 | - | - | - |
| Furniture and fixtures | 1 573 906 | (936 633) | 637 273 | 1 388 192 | (828 661) | 559 531 |
| Motor vehicles | 236 397 | (192 659) | 43 738 | 236 397 | (155 893) | 80 504 |
| Office equipment | 1 150 044 | (569 615) | 580 429 | 882 457 | (452 781) | 429 676 |
| Computer equipment | 1 744 894 | (1 124 447) | 620 447 | 1 448 560 | (780 052) | 668 508 |
| **Total** | **77 501 281** | **(4 124 667)** | **73 376 614** | **3 955 606** | **(2 217 387)** | **1 738 219** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**Reconciliation of property, plant and equipment - Group - 2014**

**3. Property, plant and equipment (continued)**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | - | 15 925 800 | - | 15 925 800 |
| Buildings | - | 56 870 240 | (1 301 313) | 55 568 927 |
| Furniture and fixtures | 559 531 | 185 715 | (107 973) | 637 273 |
| Motor vehicles | 80 504 | - | (36 766) | 43 738 |
| Office equipment | 429 676 | 267 587 | (116 834) | 580 429 |
| Computer equipment | 668 508 | 296 330 | (344 391) | 620 447 |
| | **1 738 219** | **73 545 672** | **(1 907 277)** | **73 376 614** |

**Reconciliation of property, plant and equipment - Group - 2013**

| | Opening balance | Additions | Write offs | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Furniture and fixtures | 322 695 | 15 297 | (47) | 246 992 | (25 406) | 559 531 |
| Motor vehicles | 123 728 | - | - | (43 224) | - | 80 504 |
| Office equipment | 311 332 | 167 861 | (7 654) | (4 090) | (37 773) | 429 676 |
| Computer equipment | 186 291 | 336 494 | (3 637) | 149 360 | - | 668 508 |
| | **944 046** | **519 652** | **(11 338)** | **349 038** | **(63 179)** | **1 738 219** |

**Reconciliation of property, plant and equipment - Board - 2014**

| | Opening balance | Additions | Depreciation | Total |
|---|---|---|---|---|
| Land | - | 15 925 800 | - | 15 925 800 |
| Buildings | - | 56 870 240 | (1 301 313) | 55 568 927 |
| Furniture and fixtures | 559 531 | 185 715 | (107 973) | 637 273 |
| Motor vehicles | 80 504 | - | (36 766) | 43 738 |
| Office equipment | 429 676 | 267 587 | (116 834) | 580 429 |
| Computer equipment | 668 508 | 296 330 | (344 391) | 620 447 |
| | **1 738 219** | **73 545 672** | **(1 907 277)** | **73 376 614** |

**Reconciliation of property, plant and equipment - Board - 2013**

| | Opening balance | Additions | Write offs | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Furniture and fixtures | 322 695 | 15 297 | (47) | 246 992 | (25 406) | 559 531 |
| Motor vehicles | 23 728 | - | - | (43 224) | - | 80 504 |
| Office equipment | 311 332 | 167 861 | (7 654) | (4 090) | (37 773) | 429 676 |
| Computer equipment | 186 291 | 336 494 | (3 637) | 149 360 | - | 668 508 |
| | **944 046** | **519 652** | **(11 338)** | **349 038** | **(63 179)** | **1 738 219** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**Change in estimate**

The EAAB re-assessed the useful life and residual values of its fixed assets during the year. This has led to a change in estimate on the useful life of the fixed assets. This has led to a decrease in depreciation for the year of R128,307. The effect in the subsequent financial year will result in an increase in depreciation of R192 102 per annum.

## 4. Intangible assets

| Group | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Intellectual property | 781 837 | (551 885) | 229 952 | 781 837 | (625 470) | 156 367 |
| Computer software | 5 319 172 | (3 494 316) | 1 824 856 | 4 787 115 | (2 980 185) | 1 806 930 |
| **Total** | **6 101 009** | **(4 046 201)** | **2 054 808** | **5 568 952** | **(3 605 655)** | **1 963 297** |

| Board | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Intellectual property | 781 837 | (551 885) | 229 952 | 781 837 | (625 470) | 156 367 |
| Computer software | 5 319 172 | (3 494 316) | 1 824 856 | 4 787 115 | (2 980 185) | 1 806 930 |
| **Total** | **6 101 009** | **(4 046 201)** | **2 054 808** | **5 568 952** | **(3 605 655)** | **1 963 297** |

**Reconciliation of intangible assets - Group - 2014**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 156 367 | - | 73 585 | 229 952 |
| Computer software | 1 806 930 | 532 060 | (514 134) | 1 824 856 |
| | **1 963 297** | **532 060** | **(440 549)** | **2 054 808** |

**Reconciliation of intangible assets - Group - 2013**

| | Opening balance | Additions | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|
| Intellectual property | 312 735 | - | (156 368) | - | 156 367 |
| Computer software | 1 728 320 | 562 903 | (479 450) | (4 843) | 1 806 930 |
| | **2 041 055** | **562 903** | **(635 818)** | **(4 843)** | **1 963 297** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**4. Intangible assets (continued)**

**Reconciliation of intangible assets - Board - 2014**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 156 367 | - | 73 585 | 229 952 |
| Computer software | 1 806 930 | 532 060 | (514 134) | 1 824 856 |
| | **1 963 297** | **532 060** | **(440 549)** | **2 054 808** |

**Reconciliation of intangible assets - Board - 2013**

| | Opening balance | Additions | Amortisation | Impairment loss | Total |
|---|---|---|---|---|---|
| Intellectual property | 312 735 | - | (156 368) | - | 156 367 |
| Computer software | 1 728 320 | 562 903 | (479 450) | (4 843) | 1 806 930 |
| | **2 041 055** | **562 903** | **(635 818)** | **(4 843)** | **1 963 297** |

**Change in estimate**

The EAAB re-assessed the useful life and residual values of its intangible assets during the year. This has led to a change in estimate on the useful life of some of the intangible assets. This has led to a decrease in armotisation for the year of R425,403. The effect in the subsequent financial year will result in an increase in armotisation of R256,486.

**5. Loan Fund - Fidelity Fund**

**Managed and controlledentities**

| | Group 2014 | Group 2013 | Board 2014 | Board 2013 |
|---|---|---|---|---|
| Estate Agents Fidelity Fund | - | - | 21 868 156 | 17 580 223 |

This represents the outstanding balances resulting from the transactions between the Estate Agency Affairs Board and the Estate Agents Fidelity Fund. These balances are payable monthly and the interest is charged on the outstanding balance at the average interest rate earned by the Estate Agents Fidelity Fund from its investments.

**6. Financial assets**

**At fair value**

| | Group 2014 | Group 2013 | Board 2014 | Board 2013 |
|---|---|---|---|---|
| BONDS - LIBERTY LIFE | 117 425 947 | 107 722 837 | - | - |

Investments consist of bonds held with liberty life. The investments are renewable on a monthly basis.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |
| **6. Financial assets (continued)** | | | | |
| **At amortised cost** | | | | |
| FIRST NATIONAL BANK | 1 354 526 | 102 865 199 | 1 354 526 | 27 450 292 |
| Consist of short-term fixed deposits invested for eight months, interest payable at an average rate of 5.72% per annum. | | | | |
| NEDBANK | 156 630 846 | 159 140 810 | - | - |
| Consists of fixed deposits invested for twenty four months, interest payable monthly at a rate of 6.50% per annum. | | | | |
| ABSA | 29 278 334 | 27 765 134 | - | - |
| Consist of fixed deposits invested for twelve months, interest payable monthly at a rate of 6.17% per annum. | | | | |
| INVESTEC | 144 743 815 | 136 553 918 | - | - |
| Consist of fixed deposits invested for twenty four months, interest payable monthly at a rate of 6.00% per annum. | | | | |
| STANDARD BANK | 24 735 470 | 4 491 158 | - | - |
| Consist of fixed deposits invested for twenty four months, interest payable monthly at a rate of 6.96% per annum. | | | | |
| | **356 742 991** | **430 816 219** | **1 354 526** | **27 450 292** |
| **Current assets** | | | | |
| At fair value | 117 425 947 | 107 722 837 | - | - |
| At amortised cost | 356 742 991 | 430 816 219 | 1 354 526 | 27 450 292 |
| | **474 168 938** | **538 539 056** | **1 354 526** | **27 450 292** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 7. Employee benefit obligations

### Defined benefit plan

The Board provides a defined benefit plan to its employees. Both the employer and the employees fund these plans, taking into account the recommendations of the independent actuaries where relevant. The defined benefit plan, to which 86% (2013: 92%) belong, consists of the Estate Agency Affairs Board Pension Fund governed by the Pension Fund Act of 1956. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 17 April 2014 by Mr. T.W. Doubell, a fellow of the Faculty of Actuaries of South Africa. The present value of the defined benefit obligation, and the related current service costs, were measured using the projected unit credit method.

**The amounts recognised in the statement of financial position are as follows:**

| Carrying value | Group 2014 R | Group 2013 R | Board 2014 R | Board 2013 R |
|---|---|---|---|---|
| Fair value of the plan assets | 76 130 000 | 55 208 000 | 76 130 000 | 55 208 000 |
| Present value of the defined benefit obligation - wholly funded | (76 936 000) | (68 329 000) | (76 936 000) | (68 329 000) |
| | **(806 000)** | **(13 121 000)** | **(806 000)** | **(13 121 000)** |

**Changes in the present value of the defined benefit obligation are as follows:**

| | Group 2014 R | Group 2013 R | Board 2014 R | Board 2013 R |
|---|---|---|---|---|
| Opening balance | 68 329 000 | 46 756 766 | 68 329 000 | 46 756 766 |
| Current period service costs | 7 089 000 | 5 448 000 | 7 089 000 | 5 448 000 |
| Current year interest costs | 5 647 000 | 4 122 000 | 5 647 000 | 4 122 000 |
| Benefits paid | (1 835 000) | (1 389 000) | (1 835 000) | (1 389 000) |
| Benefits paid from fund in previous years | - | (281 000) | - | (281 000) |
| Acturial (gain)/loss at end of year | (2 294 000) | 13 672 234 | (2 294 000) | 13 672 234 |
| | **76 936 000** | **68 329 000** | **76 936 000** | **68 329 000** |

**Net expense recognised in the statement of financial performance**

| | Group 2014 R | Group 2013 R | Board 2014 R | Board 2013 R |
|---|---|---|---|---|
| Current service cost | 7 089 000 | 5 448 000 | 7 089 000 | 5 448 000 |
| Interest cost | 5 647 000 | 4 122 000 | 5 647 000 | 4 122 000 |
| Actuarial (gains) losses | (606 000) | 15 876 000 | (606 000) | 15 876 000 |
| Asset adjustments | (14 301 000) | - | (14 301 000) | - |
| Expected return on plan assets | (3 323 000) | (7 089 000) | (3 323 000) | (7 089 000) |
| | **(5 494 000)** | **18 357 000** | **(5 494 000)** | **18 357 000** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 7. Employee benefit obligations (continued)

### Changes in the fair value of plan assets are as follows:

| | | | | |
|---|---|---|---|---|
| Opening balance | 55 208 000 | 45 345 000 | 55 208 000 | 45 345 000 |
| Current year contributions | 6 256 000 | 6 028 000 | 6 256 000 | 6 028 000 |
| Contributions underpaid | 1 965 000 | 2 886 000 | 1 965 000 | 2 886 000 |
| Current year benefits paid | (1 835 000) | (1 389 000) | (1 835 000) | (1 389 000) |
| Previous years benefits paid | - | (281 000) | - | (281 000) |
| Current year expense, taxes and premiums paid | (1 217 000) | (732 000) | (1 217 000) | (732 000) |
| Withdrawal benefits unpaid | (1 688 000) | (2 204 000) | (1 688 000) | (2 204 000) |
| Current year interest | 4 560 000 | 3 999 000 | 4 560 000 | 3 999 000 |
| Asset adjustments | 14 301 000 | - | 14 301 000 | - |
| Actuarial gain/(loss) | (1 420 000) | 1 556 000 | (1 420 000) | 1 556 000 |
| | **76 130 000** | **55 208 000** | **76 130 000** | **55 208 000** |

The adjustment of R14.3 million include the amount of R13.5 million which was made to the Fund's assets by the investment manager (Momentum) which adjustment relates to an additional retrospective bonus allocation.

### Key assumptions used

Assumptions used at the reporting date:

| | | | | |
|---|---|---|---|---|
| Discount rates used | 9,00 % | 8,00 % | 9,00 % | 8,00 % |
| Expected rate of return on assets | 9,00 % | 8,00 % | 9,00 % | 8,00 % |
| Expected increase in salaries | 8,00 % | 8,00 % | 8,00 % | 8,00 % |
| Expected pension increases | 6,00 % | 6,00 % | 6,00 % | 6,00 % |
| Marital status at retirement age | 90,00 % | 90,00 % | 90,00 % | 90,00 % |

### Post retirement medical aid benefit

It is the policy of the entity to provide retirement benefits to employees who were in the employ of the EAAB or members of its medical aid on or before 30 June 1996. Seven of the current employees of the EAAB and eight pensioners are covered under this plan.

The most recent actuarial valuations of the post employment medical aid benefits were carried out on 17 April 2014 by Mr. T.W. Doubell, a fellow of the Actuarial Society of South Africa. The present value of the liability, and the related current service cost and past service cost, were measured using the projected unit credit method and with reference to PGN301, the relevant professional guidance of the Actuarial Society of South Africa.

The plan is a final salary post employment medical benefit plan.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |
| **7. Employee benefit obligations (continued)** | | | | |
| Current portion of post-retirement medical aid liability | 385 000 | 388 000 | 385 000 | 388 000 |
| Non-current portion of post-retirement medical aid liability | 7 417 000 | 7 498 000 | 7 417 000 | 7 498 000 |
| | **7 802 000** | **7 886 000** | **7 802 000** | **7 886 000** |
| **Post retirement medical aid benefit obligation** | | | | |
| Opening balance | 7 886 000 | 7 201 000 | 7 886 000 | 7 201 000 |
| Interest costs | 648 000 | 625 000 | 648 000 | 625 000 |
| Current service costs | 139 000 | 128 000 | 139 000 | 128 000 |
| Subsidy payments | (388 000) | (356 000) | (388 000) | (356 000) |
| Acturial (gain)/loss at end of year | (483 000) | 288 000 | (483 000) | 288 000 |
| | **7 802 000** | **7 886 000** | **7 802 000** | **7 886 000** |
| **Net expense recognised in the statement of financial performance** | | | | |
| Current service cost | 139 000 | 128 000 | 139 000 | 128 000 |
| Interest cost | 648 000 | 625 000 | 648 000 | 625 000 |
| Actuarial (gains) losses | (483 000) | 288 000 | (483 000) | 288 000 |
| | **304 000** | **1 041 000** | **304 000** | **1 041 000** |
| Assumptions used at the reporting date: | | | | |
| Discount rates used | 9,00% | 8,00% | 9,00% | 8,00% |
| Consumer price index inflation | 8,00% | 8,00% | 8,00% | 8,00% |
| Health care cost inflation | 8,00% | 8,00% | 8,00% | 8,00% |
| **8. Inventories** | | | | |
| Study material stock | - | 62 497 | - | 62 497 |
| Pre-printed FFC stock | 2 729 | 102 090 | 2 729 | 102 090 |
| NQF4 Study Materials | 361 355 | - | 361 355 | - |
| | **364 084** | **164 587** | **364 084** | **164 587** |
| **9. Trade and other receivables from exchange transactions** | | | | |
| Trade debtors | 3 140 965 | 5 741 867 | 2 902 892 | 501 570 |
| Prepayments | 875 073 | 687 786 | 875 073 | 360 366 |
| Deposits | 150 000 | - | 150 000 | - |
| Accrued interest | 4 464 958 | 5 403 849 | 6 580 | 565 761 |
| Other receivables | 5 570 | - | 5 570 | - |
| | **8 636 566** | **11 833 502** | **3 940 115** | **1 427 697** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**Trade and other receivables past due but not impaired**

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2014, R2 546 534 (2013: R 113 270) were past due but not impaired.

| | | | | |
|---|---|---|---|---|
| The ageing of amounts past due but not impaired is as follows: | | | | |
| 1 month past due | 2 351 612 | 8 515 | 2 296 014 | 8 515 |
| 2 months past due | 152 979 | 72 755 | 152 979 | 72 755 |
| 3 months past due | 41 943 | 32 000 | 2 100 | 32 000 |

**Trade and other receivables impaired**

Trade and other receivables balances are equivalent to their fair values.

| | | | | |
|---|---|---|---|---|
| Impairment of trade receivables | 5 683 406 | 1 224 129 | 709 428 | 946 465 |

**Reconciliation of provision for impairment of trade and other receivables**

| | | | | |
|---|---|---|---|---|
| Opening balance | 14 876 697 | 23 137 579 | 2 215 229 | 1 268 764 |
| Provision for impairment | 5 683 406 | 1 224 129 | 709 428 | 946 465 |
| Amounts written off as uncollectible | (100 000) | (8 678 494) | (100 000) | - |
| Debt recovered | (260 250) | (806 517) | (260 250) | - |
| | **20 199 853** | **14 876 697** | **2 564 407** | **2 215 229** |

**10. Cash and cash equivalents**

Cash and cash equivalents consist of:

| | | | | |
|---|---|---|---|---|
| Cash on hand | 1 028 | 7 600 | 1 028 | 7 600 |
| Bank balances | 9 540 212 | 12 990 116 | 3 018 826 | 4 188 291 |
| Other cash and cash equivalents | 151 888 486 | 158 910 437 | 30 915 898 | 80 903 600 |
| | **161 429 726** | **171 908 153** | **33 935 752** | **85 099 491** |

**11. Revaluation reserve**

| | | | | |
|---|---|---|---|---|
| Opening balance | - | 9 775 194 | - | 9 775 194 |
| Transfer to accumulated surplus | - | (9 775 194) | - | (9 775 194) |
| | **-** | **9 775 194** | **-** | **9 775 194** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 12. Provisions

### Reconciliation of provisions - Group - 2014

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 2 717 461 | 1 257 445 | (2 717 461) | 1 257 445 |
| Leave pay provision | 1 849 765 | 2 648 169 | (1 849 765) | 2 648 169 |
| | **4 567 226** | **3 905 614** | **(4 567 226)** | **3 905 614** |

### Reconciliation of provisions - Group - 2013

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Legal proceedings | 194 792 | - | (194 792) | - |
| Provision for claims | 281 174 | 2 717 461 | (281 174) | 2 717 461 |
| Leave pay provision | 1 256 925 | 1 849 765 | (1 256 925) | 1 849 765 |
| | **1 732 891** | **4 567 226** | **(1 732 891)** | **4 567 226** |

### Reconciliation of provisions - Board - 2014

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Leave pay provision | 1 849 765 | 2 648 169 | (1 849 765) | 2 648 169 |

### Reconciliation of provisions - Board - 2013

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Legal proceedings | 194 792 | - | (194 792) | - |
| Leave pay provision | 1 256 925 | 1 849 765 | (1 256 925) | 1 849 765 |
| | **1 451 717** | **1 849 765** | **(1 451 717)** | **1 849 765** |

## 13. Trade and other payables

| | | | | |
|---|---|---|---|---|
| Trade payables | 4 795 487 | 1 886 956 | 4 795 487 | 1 886 956 |
| Unallocated deposits | 2 807 367 | 1 995 664 | 2 411 668 | 1 269 526 |
| Estate agents funds received in advance | 14 203 682 | 11 087 626 | 6 939 881 | 4 393 369 |
| Accrued expense | 9 505 893 | 8 767 408 | 6 499 223 | 8 767 408 |
| Staff debtors | 1 250 | 1 749 | 1 250 | 1 749 |
| Operating lease accrual | - | 36 446 | - | 36 446 |
| | **31 313 679** | **23 775 849** | **20 647 509** | **16 355 454** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 14. Revenue from exchange transactions

| | | | | |
|---|---|---|---|---|
| Contributions - Principal | 7 661 874 | 9 168 998 | 7 661 874 | 9 168 998 |
| Contributions - Full status estate agents | 6 078 485 | 6 003 066 | 4 090 532 | 4 421 137 |
| Contributions - Intern estate agents | 4 525 627 | 5 071 691 | 4 525 627 | 5 071 691 |
| Interest received on trust funds | 17 749 167 | 20 213 667 | - | - |
| Management fees | - | - | 52 252 664 | 52 982 807 |
| Interest received on investments | 37 994 131 | 34 859 812 | - | - |
| Income from examinations | 2 540 790 | 750 800 | 2 540 790 | 750 800 |
| | **76 550 074** | **76 068 034** | **71 071 487** | **72 395 433** |

## 15. Other income

| | | | | |
|---|---|---|---|---|
| Claims recoverable | 3 470 924 | 277 664 | - | - |
| Penalties and fines | 6 752 427 | 1 907 150 | 6 752 427 | 1 907 150 |
| Financial instruments - Fee income | 158 142 | 101 666 | - | - |
| Royalties and amendments | 2 115 315 | 1 212 420 | 2 115 315 | 1 212 420 |
| Other income | 1 550 468 | 382 791 | 571 529 | 382 791 |
| | **14 047 276** | **3 881 691** | **9 439 271** | **3 502 361** |

## 16. Employee related costs

| | | | | |
|---|---|---|---|---|
| Basic | 38 715 649 | 28 298 868 | 38 715 649 | 28 298 868 |
| Medical aid - company contributions | 3 863 378 | 3 331 072 | 3 863 378 | 3 331 072 |
| UIF | 156 644 | 122 060 | 156 644 | 122 060 |
| SDL | 370 572 | 284 584 | 370 572 | 284 584 |
| Other valuation adjustments | (2 438 725) | (2 269 202) | (2 438 725) | (2 269 202) |
| Leave pay provision charge | 946 793 | 655 837 | 946 793 | 655 837 |
| Defined benefit plan net expenses | (5 494 000) | 18 357 000 | (5 494 000) | 18 357 000 |
| Overtime and temporary staff | 135 494 | 168 988 | 135 494 | 168 988 |
| Post-medical aid benefits net expenses | 304 000 | 1 041 000 | 304 000 | 1 041 000 |
| | **36 559 805** | **49 990 207** | **36 559 805** | **49 990 207** |

## 17. Impairment loss

| | | | | |
|---|---|---|---|---|
| **Impairments** | | | | |
| Property, plant and equipment | - | 79 360 | - | 79 360 |

Impairment of property, plant and equipment relates to assets that have become obsolete and could no longer be used.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

**18. Operating lease**

Lease of the buildings

| | | | | |
|---|---|---|---|---|
| **Minimum lease payments due** | | | | |
| - within one year | - | 437 357 | - | 437 357 |

The Board leased premises for business use as of 01 March 2012. The lease was for a period of 5 years with an option to purchase. The option was excercised on 30 April 2013.

**19. Cash (used in) generated from operations**

| | | | | |
|---|---|---|---|---|
| (Deficit) surplus | (593 294) | (12 823 626) | 8 778 791 | (4 710 918) |
| **Adjustments for:** | | | | |
| Depreciation and amortisation | 2 347 825 | 286 779 | 2 347 825 | 286 779 |
| Loss on sale of non-current assets and disposal groups | - | (7 160 959) | - | (7 160 959) |
| Impairment deficit | - | 79 360 | - | 79 360 |
| Movements in retirement benefit assets and liabilities | (12 315 000) | 15 031 068 | (12 315 000) | 15 031 068 |
| Movements in provisions | (661 612) | 2 834 336 | 798 404 | 398 048 |
| Movements in post-retirement medical aid liabilities | (84 000) | (2 637 000) | (84 000) | (2 637 000) |
| **Changes in working capital:** | | | | |
| Inventories | (199 497) | (105 844) | (199 497) | (105 844) |
| Trade and other receivables | 3 196 936 | 1 497 965 | (2 512 418) | 4 129 932 |
| Trade and other payables | 7 537 829 | 7 186 257 | 4 292 055 | 5 362 627 |
| | **(770 813)** | **4 188 336** | **1 106 160** | **10 673 093** |

**20. Commitments**

**Authorised capital expenditure**

| | | | | |
|---|---|---|---|---|
| **Already contracted** | | | | |
| • Acquisition of land and buildings | - | 72 390 000 | - | 72 390 000 |

This committed expenditure relates to envisaged acquisition of land and buildings for the entity and will be financed by retained surpluses.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 21. Related parties

**Relationships**

| | |
|---|---|
| Board members and key management personel | Refer to members' report note |
| Controlled entities | Estate Agents Fidelity Fund controlled in terms of the Estate Agency Affairs Act (Refer to note |
| Public entities and departments | South African Revenue Services<br>Telkom |
| Members of the Board of directors | Development Institute &Training Academy of Southern Africa<br>Institute of Estate Agents of South Africa |

**Related party balances**

| | Group 2014 R | Group 2013 R | Board 2014 R | Board 2013 R |
|---|---|---|---|---|
| **Loan accounts - Owing (to) by related parties** | | | | |
| The Estate Agents Fidelity Fund | | | 21 868 156 | 17 580 223 |
| **Amounts included in Trade receivable (Trade Payable) regarding related parties** | | | | |
| South African Revenue Services | | | (817 770) | (614 358) |
| Development Institute &Training Academy of Southern Africa | | | - | 91 042 |

**Related party transactions**

| | Group 2014 R | Group 2013 R | Board 2014 R | Board 2013 R |
|---|---|---|---|---|
| **Interest paid to (received from) related parties** | | | | |
| Estate Agents Fidelity Fund | | | - | (580 074) |
| **Purchases from (sales to) related parties** | | | | |
| Telkom | | | - | 31 788 |
| **Administration fees paid to (received from) related parties** | | | | |
| The Estate Agents Fidelity Fund | | | (52 252 664) | (52 982 807) |
| **Employee taxes paid to related parties** | | | | |
| South African Revenue Services | | | 12 174 753 | 6 892 682 |

Figures in Rand

## 22. Members' and prescribed officer's emoluments

### Executive

**2014**

| | Basic Salary | Acting Allowance | Contribution to Pension Scheme | Contribution to Medical Scheme | Other Costs | Total |
|---|---|---|---|---|---|---|
| Mr B Chaplog (Chief Executive Officer: Appointed 01 October 2013) | 1 635 334 | 584 361 | 112 693 | 53 262 | - | 2 385 650 |
| Mr C Ashpol (Executive Manager: Education and Training - Appointed 01 May 1983) | 1 405 157 | - | 332 049 | 22 254 | - | 1 759 460 |
| Ms D Mphahlele (Executive Manager: Inspections - Appointed 01 February 2013) | 1 197 641 | 164 704 | 283 826 | 88 770 | 39 900 | 1 774 841 |
| Mr J Baloyi (Acting Executive Manager - Compliance - Appointed 01 February 2013) | 1 197 262 | - | 231 266 | 117 018 | 17 700 | 1 563 246 |
| Mr S Mmotong (Acting Chief Financial Officer - Appointed 01 February 2012) | 1 108 992 | 263 959 | 243 352 | 88 770 | 2 542 | 1 707 615 |
| Mr N Ndebele (Company Secretary - Appointed 10 January 2011) | 1 146 649 | - | 76 500 | - | - | 1 223 149 |
| Mr N Sigaba (Chief Risk Officer - Appointed 01 June 2010) | 1 281 318 | 160 991 | 88 268 | 34 538 | - | 1 565 115 |
| Mr J Tladi (Legal Technical Analyst - Appointed 01 August 2013)) | 738 133 | - | 83 576 | 20 032 | - | 841 741 |
| | **9 710 486** | **1 174 015** | **1 451 530** | **424 644** | **60 142** | **12 820 817** |

**2013**

| | Basic Salary | Acting Allowance | Contribution to Pension Scheme | Contribution to Medical Scheme | Other Costs | Total |
|---|---|---|---|---|---|---|
| Mr B Chaplog (Acting Chief Executive Officer - Appointed 04 October 2010) | 1 523 435 | 425 895 | 93 660 | 47 979 | 1 137 | 2 092 106 |
| Mr C Ashpol (Executive Manager: Education and Training - Appointed 01 May 1983) | 1 301 071 | - | 307 453 | 20 310 | 556 | 1 629 390 |
| Ms D Mphahlele (Executive Manager - Inspections) | 171 095 | - | 43 800 | 14 472 | - | 229 367 |
| Mr J Baloyi (Acting Executive Manager - Compliance - Appointed 01 October 2011) | 171 095 | 253 996 | 35 040 | 19 076 | 3 300 | 482 507 |
| Mr S Mmotong (Acting Chief Financial Officer - Appointed 01 February 2012) | 1 026 845 | 195 920 | 191 892 | 79 965 | 6 648 | 1 501 270 |
| Mr N Ndebele (Company Secretary - Appointed 10 January 2011) | 1 075 189 | - | 64 704 | - | 6 402 | 1 146 295 |
| Mr N Sigaba (Chief Risk Officer - Appointed 01 June 2010) | 1 193 912 | - | 70 164 | 31 514 | - | 1 295 590 |
| | **6 462 642** | **875 811** | **806 713** | **213 316** | **18 043** | **8 376 525** |

Figures in Rand

## 22. Members' and prescribed officer's emoluments (continued)

### Board Members Remuneration

### 2014

| | Members' fees | Total |
|---|---|---|
| Prof. K M Kondlo (Chairperson - Appointed: 01/01/2013) | 277 299 | 277 299 |
| Mr A B Mazwi (Vacated office: 30/07/2014) | 184 299 | 184 299 |
| Mr S A Kajee (Appointed: 01/01/2013) | 142 457 | 142 457 |
| Adv. T C Maake (Appointed: 01/01/2013) | 258 294 | 258 294 |
| Mr L Mlambo (Vacated office: 30/07/2014) | 232 301 | 232 301 |
| Ms S E Porteous (Resigned: 09/01/2014) | 112 504 | 112 504 |
| Ms M N Wotini (Deputy Chairperson-Appointed: 01/01/2013) | 341 425 | 341 425 |
| Ms S J Corfield (Appointed: 01/01/2013) | 86 110 | 86 110 |
| Mr B M Nsibande (Appointed: 01/01/2013) | 65 390 | 65 390 |
| Dr. M F R Randera (Appointed: 01/01/2013) | 72 062 | 72 062 |
| Mr E R Marivate (Vacated office: 30/07/2014) | 11 536 | 11 536 |
| Ms S P Lebenya-Ntanzi (Appointed: 01/01/2013) | 241 010 | 241 010 |
| Ms D Molomo (Vacated office: 24/01/2014) | 87 213 | 87 213 |
| Mr M B Damane (Appointed: 01/01/2013) | 80 616 | 80 616 |
| | **2 192 516** | **2 192 516** |

### 2013

| | Members' fees | Total |
|---|---|---|
| Ms T Dube (Chairperson - Appointed 01 June 2010) | 46 778 | 46 778 |
| Mr S Peters (Deputy Chairperson) | 132 728 | 132 728 |
| Ms I Wilken-Jonker | 94 354 | 94 354 |
| Ms A E Fry | 33 529 | 33 529 |
| Mr S Faku | 47 158 | 47 158 |
| Ms S Mojapelo | 68 618 | 68 618 |

**Figures in Rand**

## 22. Members' and prescribed officer's emoluments (continued)

| | | |
|---|---|---|
| Ms M T Molefe | 94 576 | 94 576 |
| Mr Z B A Ngcobo | 31 726 | 31 726 |
| Mr T L Seshabela | 36 662 | 36 662 |
| | **586 129** | **586 129** |

### Independent non-executive Audit & Risk Committee members remuneration

**2014**

| | Basic Salary | Total |
|---|---|---|
| Ms K Vundla (Chairperson) | 40 004 | 40 004 |
| Mr M M Mphahlele | 30 159 | 30 159 |
| Mr D K Bosa | 52 746 | 52 746 |
| Mr P I Madisha | 33 866 | 33 866 |
| | **156 775** | **156 775** |

**2013**

| | Emoluments | Total |
|---|---|---|
| Ms K Vundla (Chairperson) | 5 326 | 5 326 |
| Mr M M Mphahlele | 5 355 | 5 355 |
| Mr P Madisha | 4 869 | 4 869 |
| Mr D K Bosa | 64 494 | 64 494 |
| Mr Y Mohamed | 11 237 | 11 237 |
| | **91 281** | **91 281** |

Figures in Rand

## 23. Prior period errors

The EAAB had recognised the post-medical aid benefit for all of its employees and pensioners in its statement of financial position. However, it has since been discovered that only employees who have been in the employ of the EAAB on or prior to 30 June 1996 and current pensioners are covered by this policy.

The accummulated reserves has since been restated accordingly and the correction has resulted in an increase in the accummulated reserves of R9,048,000

Comparative figures have also been adjusted and correction of the arror results in adjustments as follows:

| | | | | |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| Decrease in Post-retirement medical aid liability | - | - | - | 11 685 000 |
| Increase in accummulated reserves | - | - | - | (11 685 000) |
| | | | | |
| **Statement of Financial Performance** | | | | |
| Decrease in employee costs | - | - | - | (2 637 000) |

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 24. Risk management

### Capital risk management

The entity's objectives when managing capital are to safeguard the entity's ability to continueas a going concern in order to provide returns for owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 5, cash and cash equivalents disclosed in note 10, and equity as disclosedin the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

### Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments.

### Business continuity risk

The entity is exposed to risks associated with business continuity such as natural disasters, systems failure, etc. Management evaluates business continuity risk on an ongoing basis. The Business Continuity and Disaster Recovery plan is reviewed on annual basis in response to the related risks identified.

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

### Interest rate risk

The Group is exposed to interest rate risk as both the Estate Agency Affairs Board and the Estate Agents Fidelity Fund have investments in various banking institutions.

The Group's exposures to interest rates on financial assets is limited to the effect of changes in the repo rate to the interest income generated from these investments. Capital is not affected as the all portfolio offers guaranteed safety of capital amount.

The sensitivity analysis is performed from time to time to determine the the impact of possible increases/(decreases) in repo rate on the interest revenue. This information is used to determine the length term of the investments, also taking into account the short and long term cash flow requirements. The risk is managed by maintaining and appropriate mix of short-term to medium term investments.

| | Group | | Board | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | R | R | R | R |

## 24. Risk management ( continued )

The Board's sensitivity to interest rates has decreased during the current period mainly due to the reduction in investments following the purchase of the new buildings.

### Sensitivity Analysis

At 31 March 2014, if the interst rate at that had been 50 basis points lower with all other variables held constant, surplus for the period would have been R0,8 million lower, arising mainly as a result of lower interest income on investments. If the interest rate at that date had been 50 basis points higher with all other variables held constant, surplus for the period would have been R0,8 million higher, arising mainly as a result of higher interest income on investments. Surplus is therefore less sensitive to the interest rate decreases and increases because most investments are fixed for a longer term and do not change immediately with the change in repo rate.

## 25. Going concern

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. 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.

## 26. Irregular expenditure

| | Group 2014 | Group 2013 | Board 2014 | Board 2013 |
|---|---|---|---|---|
| Opening balance | 2 930 999 | 2 902 999 | 2 930 999 | 2 902 999 |
| Add: Irregular Expenditure - current year | 514 716 | 28 000 | 514 716 | 28 000 |
| | **3 445 715** | **2 930 999** | **3 445 715** | **2 930 999** |

### Analysis of expenditure awaiting condonation per age classification

| | Group 2014 | Group 2013 | Board 2014 | Board 2013 |
|---|---|---|---|---|
| Current year | - | 28 000 | - | 28 000 |

### Details of irregular expenditure – current year

| | |
|---|---|
| Remuneration of Board members disqualified in terms of the Estate Agency Affairs Act. | 514 716 |

### Disciplinary steps taken/criminal proceedings

The matter has been reported to the Executive Authority and the Board members concerned have since vacated their offices as required by the Estate Agency Affairs Act.

# ESTATE AGENTS FIDELITY FUND
## financial statements
*for the year ended 31 March 2014*

# CONTENTS

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


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| Statement of Financial Performance | 123 |
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| Statement of Comparison of Budget and Actual Amounts | 126 |
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| Notes to the Financial Statements | 132-136 |

# STATEMENT OF RESPONSIBILITY

The Board of the Estate Agency Affairs Board is required by the Public Finance Management Act (Act 1 of 1999), tomaintain adequate accounting records and is responsible for the content and integrity of the financial statements andrelated financial information included in this report. It is the responsibility of the Board to ensure that the financialstatements fairly present the state of affairs of the Fund as at the end of the financial year and the results of its operationsand cash flows for the period then ended. The external auditors are engaged to express an independent opinion on thefinancial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with South African Statements of Generally RecognisedAccounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting StandardsBoard.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonableand prudent judgements and estimates.

The Boardacknowledges that itis ultimately responsible for the system of internal financial control established by the Fundand place considerable importance on maintaining a strong control environment. To enable it to meet these responsibilities,the Board sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. Thestandards include the proper delegation of responsibilities within a clearly defined framework, effective accountingprocedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitoredthroughout the year and all employees are required to maintain the highest ethical standards in ensuring the Estate AgentsFidelity Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of riskmanagement in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Board.While operating risk cannot be fully eliminated, the Fund endeavours to minimise it by ensuring that appropriateinfrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures andconstraints.

The Board is of the opinion, based on the information and explanations given by management, that the system of internalcontrol provides reasonable assurance that the financial records may be relied on for the preparation of the financialstatements. However, any system of internal financial control can provide only reasonable, and not absolute, assuranceagainst material misstatement.

The Boardhas reviewed the Fund's cash flow forecast for the year to March 31, 2015 and, in the light of this review and thecurrent financial position, itis satisfied that the Fund has or has access to adequate resources to continue in operationalexistence for the foreseeable future.

The external auditors responsible for independently reviewing and reporting on the fund's annual financial statements. The annual financial statements have been examined by the fund's external auditors and their report is presented on page xxx.

The financial statements set out on pages **122** to **136**, which have been prepared on the going concern basis, were approvedby the Board on 30 July 2014 and were signed on its behalf by:

**Prof. K Kondlo**
**Chairperson**

**Mr B Chaplog**
**Chief Executive Officer**

# INDEPENDENT AUDITORS' REPORT

NGUBANE & CO.

CHARTERED ACCOUNTANTS • CONSULTANTS • FORENSIC INVESTIGATORS

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

We have audited the financial statements of the Estate Agents Fidelity Fund set out on pages **122** to **136**, which comprise the statement of financial position as at 31 March 2014, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting authority's responsibility for the financial statements

The board of directors, which constitutes the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Estate Agents Fidelity Fund as at 31 March 2014 and financial performance and cash flows for the year then ended, in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Predetermined objectives

In accordance with the Public Audit Act and the general notice issued in terms thereof, we report the following findings on the reported performance information against predetermined objectives, non-compliance with laws and legislation as well as internal control. The objective of our test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

We have audited the reported performance information for the following selected programmes presented in the annual performance report of the Estate Agency Affairs Board for the year ended 31 March 2014:

- Compliance on page 63-64
- Corporate services on page 65
- Fidelity fund on page 66-67
- Education and training on page 68

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programmes. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury's *Framework for managing programme performance information (FMPPI).*

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the selected programmes (compliance, corporate services and fidelity fund) are as follows:

Non-compliance with Framework for managing programme performance information (FMPPI) issued by the National Treasury are as follows:

- Performance Information Procedure Manual not updated on an ongoing basis.
- Annual performance plan not reviewed and updated. There is no budget allocation per programme.
- Targets not achieved and thus the indicators do not meet SMART criteria.
- Performance information system is not integrated with financial and reporting management system.
- Inadequate review of performance information reports.
- Policies and procedures did not cover/explain roles and responsibilities of staff members.

**Additional matters**

We draw attention to the following matters:

**Achievement of planned targets**

Refer to the annual performance report on page **63** to **68** for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected programmes reported in this report.

Of the total number of sixteen targets planned for the year, nine of the targets were not achieved during the year under review. These represent 56% of total planned targets that were not achieved during the year under review.

These were mainly due to the fact that the indicators and targets were not suitably developed during the strategic planning process.

**Adjustment of material misstatements**

No material adjustments to the annual performance report were identified during the year under review.

**Compliance with laws and legislation**

We performed procedures to obtain evidence that the entity had complied with applicable laws and legislations regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the Public Audit Act, are as follows:

**Treasury Regulations**

Performance information not complying with Framework for managing programme performance information.

***Estate Agency Affairs Board Act***
Disqualified board members did not vacate their office for not submitting audit reports as required by section 27(1) and section 3(7) of the EAAB Act.

A Board member did not vacate office for not attending board meetings as per the EAAB Act section 3(7) (e).

**Internal control**

We considered internal control relevant to our audit of the consolidated and separate financial statements, annual performance report and compliance with laws and legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the findings on non-compliance with laws and legislation included in this report.

**Leadership**

Limited oversight over the financial reporting and compliance with related internal controls.

**Financial and performance management**

Reviewing and monitoring of compliance with laws and regulations was not adequate.

Limited implementation of formal controls over information technology systems to ensure the reliability of the systems and reliability of the systems and availability, accuracy performance management information.

Ngubane & Co

**Ngubane & Co. (Jhb) Inc**
**Director: Ephraem Sibanda**
**Registered auditor**
**31 July 2014**

# STATEMENT OF FINANCIAL POSITION

| | Note | 2014<br>R | 2013<br>R |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Investments | 3 | 472 814 412 | 511 088 763 |
| Trade and other receivables from exchange transactions | 4 | 4 696 451 | 10 405 805 |
| Cash and cash equivalents | 5 | 127 493 974 | 86 808 662 |
| **Total Assets** | | **605 004 837** | **608 303 230** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Loan Fund-Estate Agency Affairs Board | 8 | 21 868 156 | 175 802 23 |
| Provisions | 6 | 1 257 445 | 2 717 461 |
| Other liabilities | 7 | 10 666 173 | 7 420 395 |
| **Total Liabilities** | | **33 791 774** | **27 718 079** |
| **Net Assets** | | **571 213 063** | **580 585 151** |
| **Net Assets** | | | |
| Accumulated surplus | | 571 213 063 | 580 585 151 |

# STATEMENT OF FINANCIAL PERFORMANCE

| | | 2014 | 2013 |
|---|---|---|---|
| | Note | R | R |
| Revenue from exchange transactions | 9 | 57 731 251 | 56 655 408 |
| Other income | 10 | 4 608 005 | 379 330 |
| Operating expenses | 11 | (71 711 344) | (65 147 448) |
| **Operating loss** | | **(9 372 088)** | **(8 112 710)** |
| **Deficit for the year** | | **(9 372 088)** | **(8 112 710)** |

# STATEMENT OF CHANGES IN NET ASSETS

| | Accumulated surplus | Total net assets |
|---|---|---|
| | R | R |
| **Balance at 01 April 2012** | **588 697 860** | **588 697 860** |
| Deficit for the year | (8 112 709) | (8 112 709) |
| **Balance at 01 April 2013** | **580 585 151** | **580 585 151** |
| Deficit for the year | (9 372 088) | (9 372 088) |
| **Balance at 31 March 2014** | **571 213 063** | **571 213 063** |

# CASH FLOW STATEMENT

| | Note | 2014 R | 2013 R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash receipts from estate agents | | 58 345 501 | 46 229 842 |
| **Payments** | | | |
| Cash payments to suppliers and EAAB | | (65 637 649) | (56 744 620) |
| **Net cash flows from operating activities** | 12 | **(7 292 148)** | **(10 514 778)** |
| **Cash flows from investing activities** | | | |
| Realisation (acquisition) of financial assets | | 47 977 460 | 95 070 973 |
| **Net cash flows from investing activities** | | **47 977 460** | **95 070 973** |
| **Net increase/(decrease) in cash and cash equivalents** | | **40 685 312** | **84 556 195** |
| Cash and cash equivalents at the beginning of the year | | 86 808 662 | 2 252 467 |
| **Cash and cash equivalents at the end of the year** | 5 | **127 493 974** | **86 808 662** |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| Budget on Accrual Basis | | | | | | |
|---|---|---|---|---|---|---|
| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
| | R | R | R | R | R | |
| **Statement of Financial Performance** | | | | | | |
| **Revenue** | | | | | | |
| **Revenue from exchange transactions** | | | | | | |
| Interest on trust funds | 24 931 000 | - | **24 931 000** | 17 749 167 | **(7 181 833)** | |
| Contributions | 1 463 036 | - | **1 463 036** | 1 987 953 | **524 917** | |
| Interest on investments | 25 118 000 | - | **25 118 000** | 37 994 131 | **12 876 131** | |
| Claims recoveries | 7 000 000 | - | **7 000 000** | 3 470 924 | **(3 529 076)** | |
| Other interest | 475 000 | - | **475 000** | 158 142 | **(316 858)** | |
| Dividend distribution | - | - | **-** | 978 939 | **978 939** | |
| **Total revenue from exchange transactions** | **58 987 036** | **-** | **58 987 036** | **62 339 256** | **3 352 220** | |
| **Expenditure** | | | | | | |
| Legal costs | (6 500 000) | - | **(6 500 000)** | (8 691 702) | **(2 191 702)** | |
| Transformation initiaves | (650 000) | - | **(650 000)** | - | **650 000** | |
| Bank charges | (661 000) | - | **(661 000)** | (9 551) | **651 449** | |
| Claims expenses | (3 400 000) | - | **(3 400 000)** | (2 010 908) | **1 389 092** | |
| Provision for bad debts | - | - | **-** | (4 973 978) | **(4 973 978)** | |
| Interest expense | - | - | **-** | (674 417) | **(674 417)** | |
| Insurance | (150 000) | - | **(150 000)** | (11 700) | **13 8300** | |
| Administration fees | (52 578 380) | - | **(52 578 380)** | (52 252 664) | **325 716** | |
| Consumer Education and Awareness | (1 000 000) | - | **(1 000 000)** | (765 040) | **234 960** | |
| Stakeholder Relations | (500 000) | - | **(500 000)** | (1 944 723) | **(1 444 723)** | |
| Publication-Agent Magazine | (670 000) | - | **(670 000)** | (376 660) | **293 340** | |
| **Total expenditure** | **(66 109 380)** | **-** | **(66 109 380)** | **(71 711 343)** | **(5 578 676)** | |
| **Operating deficit** | **(7 122 344)** | **-** | **(7 122 344)** | **(9 372 087)** | **(2 249 743)** | |
| Fair value adjustments | 7 169 000 | - | **7 169 000** | - | **(7 169 000)** | |
| **Surplus (Deficit)** | **46 656** | **-** | **46 656** | **(9 372 087)** | **(9 418 743)** | |

# ACCOUNTING POLICIES

## 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

### 1.1 Significant judgements and estimates

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual finacial statements and related disclosures.Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

#### Impairment of receivables

An impairment is recognised for estimated losses firstly on an individually significant trade receivable and, secondly, on a group of trade receivables with similar credit risk that are assessed to be impaired based on objective evidence as a result of one or more events that occurred during the reporting period. For estate agents who have defaulted, management makes judgments based on the assessment of their ability to make payments based on credit worthiness and historical write off experience. Should the financial condition of the estate agent change, actual write offs could differ from impairment.

#### 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 5.

### 1.2 Financial instruments

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.
The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and a financial liability initially at its fair value (if subsequently measured at fair value).

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Derecognition**

**Financial assets**

The entity derecognises a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

**Financial liabilities**

The entity removes a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

### 1.3 Provisions and contingencies

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If the entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 13.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.
The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the entity for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the entity considers that an outflow of economic resources is probable, an entity recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.4 Revenue from exchange transactions

Revenue from contributions received from estate agents is recognised when the certificates are issued to the agents. Interest on the agents's trust fund is recognised, in profit or loss, when auditors reports on the trust funds are received. Interest on investments is recognised on accrual on a monthly basis.

Claims recoverable are recognised upon the payment of the claim to the claimants.

### 1.5 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for a revenue in the statement of financial performance.

### 1.6 Irregular expenditure

Irregular expenditure as defined in section 1 of PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including:

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 01 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the regular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.7 Budget information

EAFF is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by EAFF shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2013/04/01 to 2014/03/31.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.8 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the contitutional independence of the three spheres of Government in South Africa, only entities within the national sphere of Government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in intances where they are requierd to perform such functtions.

Close members of the family of a person are considered to be those family member who may be expected to influence, or be influenced by, that management in their dealings with the entity.

### 1.9 Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

(a) those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
(b) those that are indicative of conditions that arose after the reporting date ( non-adjusting events after the reporting date).

The entity adjusts their amounts recognised in its financial statements to reflect adjusting events after the reporting date.

The entity does not adjust the amount recognised in its financial statements to reflect non-adjusting events after the reporting date. However, the entity discloses for each material category of non-adjusting evets after the reporting date:

(a) the nature of the event;
(b) estimation of its financial effect or a statement that such an estimation cannot be made.

| | 2014 | 2013 |
|---|---|---|
| | R | R |

## 2. New standards and interpretations

### 2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2014 or later periods:

| Standard/ Interpretation: | | Effective date: Years beginning on or after | Impact |
|---|---|---|---|
| **GRAP 18:** | Segment Reporting | 01 April 2016 | None |
| **GRAP 105:** | Transfers of functions between entities under common control | 01 April 2014 | None |
| **GRAP 106:** | Transfers of functions between entities not under common control | 01 April 2014 | None |
| **GRAP 107:** | Mergers | 01 April 2014 | None |
| **GRAP 11:** | Consolidation – Special purpose entities | 01 April 2014 | None |
| **GRAP 12:** | Jointly controlled entities – Non-monetary contributions by ventures | 01 April 2014 | None |
| **GRAP 6 (as revised 2010):** | Consolidated and Separate Financial Statements | 01 April 2014 | None |
| **GRAP 7 (as revised 2010):** | Investments in Associates | 01 April 2014 | None |
| **GRAP 8 (as revised 2010):** | Interests in Joint Ventures | 01 April 2014 | None |

## 3. Investments

| | 2014 | 2013 |
|---|---|---|
| **At fair value** | | |
| LIBERTY LIFE | 117 425 947 | 107 722 837 |
| The Estate Agents Fidelity Fund holds capital bonds with Liberty. The investment is renewable on a monthly basis | | |
| **Amortised cost** | | |
| FIRST NATIONAL BANK | - | 75 414 907 |
| Fixed deposits for eighteen months, interest payable monthly at an average interest rate of 6.25% per annum | | |
| NEDBANK | 156 630 846 | 159 140 810 |
| Fixed deposit for twenty four months, interest payable monthly at an average interest rate of 6.50% per annum | | |
| ABSA | 29 278 334 | 27 765 134 |
| Fixed deposit for twelve months, interest payable monthly at an average interest rate of 6.17% per annum | | |
| INVESTEC | 144 743 815 | 136 553 918 |
| Fixed deposit for twenty four months, interest payable monthly at an average interest rate of 6.00% per annum | | |

| | 2014 | 2013 |
|---|---|---|
| | R | R |
| STANDARD BANK<br>Fixed deposit for twenty four months, interest payable monthly at an average interest rate of 6.96% per annum | 24 735 470 | 4 491 158 |
| | **355 388 465** | **403 365 927** |
| **Total other financial assets** | **472 814 412** | **511 088 764** |
| **Current assets** | | |
| Fair value through surplus or deficit | 117 425 947 | 107 722 837 |
| Held to maturity | 355 388 465 | 403 365 927 |
| | **472 814 412** | **511 088 764** |

## 4. Trade and other receivables from exchange transactions

| | 2014 | 2013 |
|---|---|---|
| Trade debtors | 238 073 | 5 240 297 |
| Accrued Interest | 4 458 378 | 4 838 088 |
| Prepaid expenses | - | 327 420 |
| | **4 696 451** | **10 405 805** |

### Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 31 March 2014, R 95 441 (2013:R-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

| | 2014 | 2013 |
|---|---|---|
| 1 month past due | 55 598 | - |
| 3 months past due | 39 843 | - |

### Trade and other receivables impaired

| | 2014 | 2013 |
|---|---|---|
| Impairment of trade receivables | 4 973 978 | 277 664 |

### Reconciliation of provision for impairment of trade and other receivables

| | 2014 | 2013 |
|---|---|---|
| Opening balance | 12 661 468 | 21 868 815 |
| Provision for impairment | 4 973 978 | 277 664 |
| Amounts written off as uncollectible | - | (8 678 494) |
| Debt recovered | - | (806 517) |
| | **17 635 446** | **12 661 468** |

## 5. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2014 | 2013 |
|---|---|---|
| Bank balances | 6 521 386 | 8 801 825 |
| Other cash and cash equivalents | 120 972 588 | 78 006 837 |
| | **127 493 974** | **86 808 662** |

| | 2014 | 2013 |
|---|---|---|
| | R | R |

**6. Provisions**

**Reconciliation of provisions - 2014**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 2 717 461 | 1 257 445 | (2 717 461) | 1 257 445 |

**Reconciliation of provisions - 2013**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 281 174 | 2 717 461 | (281 174) | 2 717 461 |

These represent complaints received from consumers where funds were embezzled by estate agents and the claims committee have considered the amounts for refunds to the consumers.

**7. Other liabilities**

| | 2014 | 2013 |
|---|---|---|
| Agent interest received in advance | 7 263 801 | 6 694 257 |
| Unallocated agent interest | 395 699 | 7261 38 |
| Accruals | 3 006 673 | - |
| | **10 666 173** | **7 420 395** |

**8. Loan Fund - Estate Agency Affairs Board**

| | 2014 | 2013 |
|---|---|---|
| Estate Agency Affairs Board | 21 868 156 | 17 580 223 |

This represents the outstanding balances resulting from the transactions between the Estate Agency Affairs Board and the Estate Agents Fidelity Fund. These balances are payable monthly and the interest is charged on the outstanding balance at the average interest rate earned by the Estate Agents Fidelity Fund from its investments.

Interest was charged to the fidelity fund amounting to R674 417 at an average interest rate of 6,37% (2013/5,29%).

**9. Revenue from exchange transactions**

| | 2014 | 2013 |
|---|---|---|
| Interest on trust funds | 17 749 167 | 20 213 667 |
| Contributions from estate agents | 1 987 953 | 1 581 929 |
| Interest on investments | 37 994 131 | 34 859 812 |
| | **57 731 251** | **56 655 408** |

| | 2014 | 2013 |
|---|---|---|
| | R | R |

## 10. Other income

| | | |
|---|---|---|
| Claims recoveries | 3 470 924 | 277 664 |
| Interest receivable | 158 142 | 101 666 |
| Distribution dividend | 978 939 | - |
| | **4 608 005** | **379 330** |

## 11. Operating expenses

| | | |
|---|---|---|
| Legal expenses | 8 691 702 | 5 411 776 |
| Claims expenses | 2 010 908 | 2 713 861 |
| Awareness Campaigns | 2709763 | 2885371 |
| Publications | 376 660 | 1 046 524 |
| Other Expenses | 695 669 | 635 962 |
| Provision for doubtful debts | 4 973 978 | (528 853) |
| Administration Fees | 52 252 664 | 52 982 807 |
| | **71 711 344** | **65 147 448** |

Administration fee represents a management fee charged by the EAAB for administering the affairs of the Fidelity Fund

## 12. Cash flows from operating activities

| | | |
|---|---|---|
| Deficit | (9 372 088) | (8 112 709) |
| **Adjustments for:** | | |
| Fair value adjustments | (9 703 109) | (8 172 929) |
| Movements in provisions | (1 460 016) | 2 436 287 |
| **Changes in working capital:** | | |
| Trade and other receivables | 5 709 354 | (2 631 967) |
| Loan Fund - Estate Agency Affairs Board | 4 287 933 | 4 142 908 |
| Other liabilities | 3 245 778 | 1 823 632 |
| | **(7 292 148)** | **(10 514 778)** |

## 13. Contingencies

### Contingent liabilities

The Fidelity Fund has received claims against the Fund amounting to R 2 049 284( 2013 R1 320 656). These claims needs to be assessed by the Claims Committee to establish whether they need to be paid to the complainants. It is therefore uncertain to establish the amount that will be paid.

## 14. Related parties

| | |
|---|---|
| Relationships | |
| Controlling entity | Estate Agency Affairs Board |

### Related party balances

**Loan accounts - Owing (to) by related parties**

| | | |
|---|---|---|
| Estate Agency Affairs Board | (21 868 156) | (17 580 223) |

| | 2014 | 2013 |
|---|---|---|
| | R | R |
| **Related party transactions** | | |
| **Interest paid to (receivedfrom) relatedparties** | | |
| Estate Agency Affairs Board | 674 417 | 580 074 |
| **Administration fees paid to (received from) related parties** | | |
| Estate Agency Affairs Board | 52 252 664 | 52 982 807 |

**15. Risk management**

**Capital risk management**

The entity's objectives when managing capital are to safeguard the entity's ability to continue as a going concern in order to provide returns for owner and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of cash and cash equivalents disclosed in note 5, and equity as disclosed in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

**Financial risk management**

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

**Liquidity risk**

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

**Interest rate risk**

The Estate Agents Fidelity Fund is exposed to interest rate risk as it has investments in various banking institutions.

The EAFF exposure to interest rates on financial assets is limited to the effect of changes in the repo rate to the interest income generated from these investments. Capital is not affected as all portfolio's offers guaranteed safety of capital amount.

The sensitivity analysis is performed from time to time to determine the impact of possible increases/(decreases) in repo rate on interest revenue. This information is used to determine the length term of the investments, also taking into account the short and long term cash flow requirements. The risk is managed by maintaining an appropriate mix of short-term to medium term investments.

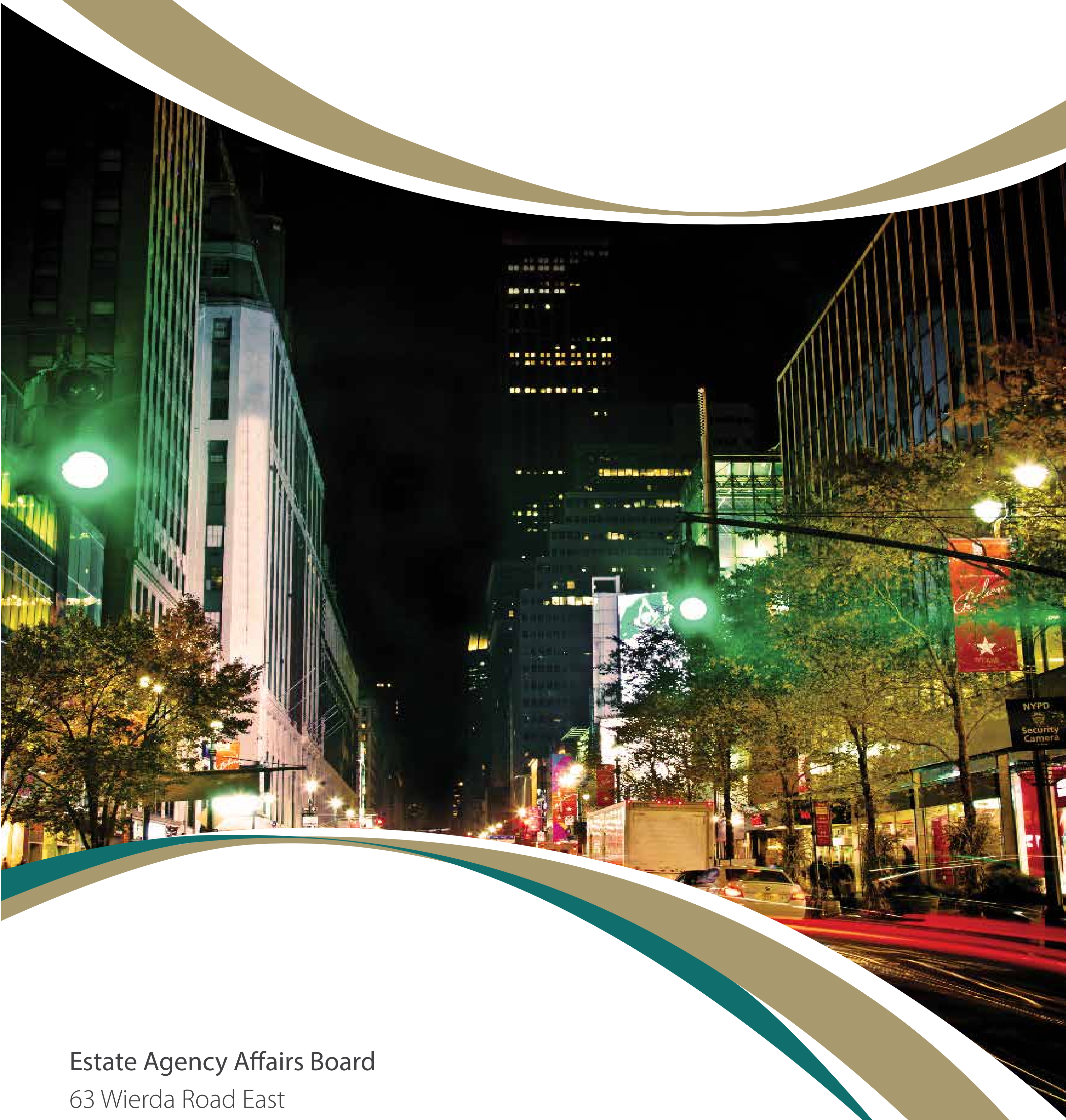
At 31 March 2014, if interest rate at that date had been 50 basis points lower with all other variables held constant, loss for the year would have been R0.5 million higher, arising mainly as a result of lower interest income on investments. If interest rates at that date had been 50 basis points higher with all other variables held constant, loss for the year would had been R0,5 million lower, arising mainly as a result of higher interest income on investments. Surplus/Deficit is therefore less sensitive to the interest rate decreases/increases because most investments are fixed for a longer term and do not change immediately with the change in repo rate.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

**16. Going concern**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. 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.

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