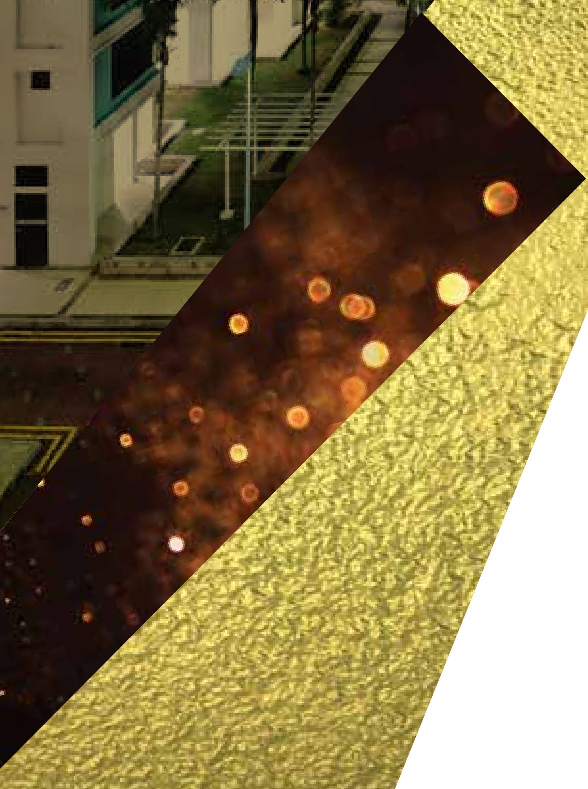


# 2015/2016 ANNUAL REPORT

ESTATE AGENCY AFFAIRS BOARD
OF SOUTH AFRICA

ESTATE AGENCY AFFAIRS BOARD
OF SOUTH AFRICA

**ANNUAL REPORT 2015/2016**

Report in terms of section 11 (1) of the Estate Agency Affairs Act, 1976
(Act No. 112 of 1976)

Annual Report concerning the activities of the Estate Agency Affairs Board for the year ended 31 March 2016, in accordance with the requirements of the Public Finance Management Act, No. 1 of 1999, as amended.

# CONTENTS

# GENERAL INFORMATION

| | |
|---|---|
| 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 87 285 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 |

# GLOSSARY OF TERMS

| | |
|---|---|
| **Act** | The Estate Agency Affairs Act (112 of 1976), as amended or replaced from time to time |
| **CEO** | The Chief Executive Officer of the EAAB, Mr Bryan Chaplog |
| **CFO** | The Chief Financial Officer of the EAAB, Mr Silence Mmotong |
| **Chairman of the Board** | Professor Kwandiwe Kondlo |
| **Annual Performance Plan** | The 3 year EAAB Annual Performance Plan for 2014/15 -2017/18, as required in terms of the PFMA and Treasury Regulations |
| **Bill** | The draft Property Practitioners Bill |
| **Board** | The board of the EAAB, established in terms of section 3 of the Act |
| **Companies Act** | The Companies Act (71 of 2008), as amended or replaced from time to time |
| **CPD** | Continuing Professional Development |
| **CPA** | The Consumer Protection Act (68 of 2008), as amended or replaced from time to time |
| **DHS or Department** | The Department of Human Settlements |
| **EAAB** | The Estate Agency Affairs Board |
| **EAFF** | Estate Agents Fidelity Fund |
| **Education Regulations** | The Standard of Training of Estate Agents Regulations, 2008, published under Government Notice R633 in Government Gazette 31125 of 4 June 2008. These regulations became effective on 15 July 2008 |
| **Exco** | The executive management committee of the EAAB |
| **FICA** | The Financial Intelligence Centre Act (38 of 2001), as amended or replaced from time to time |
| **Fidelity Fund** | The Estate Agents Fidelity Fund, established in terms of section 12(1) of the Act |
| **Fidelity Fund Certificate / FFC** | The certificate issued to qualifying estate agents in terms of section 16(3) of the Act (FFC) |
| **FLISP** | Finance-Linked Individual Subsidy Programme |
| **HR** | Human Resources |
| **IRBA** | The Independent Regulatory Body for Auditors |
| **ICT** | Information and Commutations Technology |
| **King III** | The King Report on Governance for South Africa and the King Code of Governance Principles, 2009 |
| **Minister** | The Honourable Minister of Human Settlements, Ms Lindiwe N Sisulu |
| **NHFC** | The National Housing Finance Corporation SOC Ltd |
| **OECD** | The Organisation for Economic Co-operation and Development |
| **PFMA** | The Public Finance Management Act (1 of 1999), as amended or replaced from time to time |
| **PDE** | Professional Designation Examination |
| **QTCO** | Quality Council for Trades and Occupations |
| **RPL** | Recognition of Prior Learning |
| **SAQA** | The South African Qualifications Authority, established in terms of section 3 of the South African Qualifications Authority Act (58 of 1995), as amended or replaced from time to time |
| **SLA** | Service level agreement |
| **SSETA** | The Services Sector Education and Training Authority |
| **Strategic Plan** | The 5 year EAAB Strategic Plan for 2012-2017, as required in terms of the PFMA and Treasury Regulations |
| **Treasury Regulations** | The regulations issued in terms of section 76 of the PFMA by National Treasury |

# STRATEGIC OVERVIEW

# 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;

**Additional to primary mandate of the EAAB**

**Financial Intelligence Centre**

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, money laundering and terrorist financing activities in the estate agents' sector.

**Government-wide priorities**

The expanded mandate of EAAB in respect of National Development Plan 2030 Vision and Trajectory is reflected in outcome number 8, which refers to sustainable and improved quality of household life. With respect to MTSF sub-outcome 2, the department of human settlements is required to ensure a sustainable residential property market. Based on this governmental strategic priority, EAAB recognises its role in supporting the following:

- Intensify homeownership induction programmes for the affordable housing market
- Establish transactional support for affordable housing market
- Monitor and reporting transactions in the secondary housing subsidy market
- Conduct analysis and disseminate information on property trends and values in the affordable housing market
- Develop policy and administration systems that support individual transactions in the secondary housing market
- Facilitate the regular backlog of title deeds to form part of the housing development.

**VISION**

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

**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.

**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;
- **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;
- **Transparency:** to remove all barriers to and the facillitation of free and easy stakeholder accessto the boards operations;
- **Professionalism:** maintaining performance standards and expectations within the industry; and
- **Target driven:** to have an operational bias toward tangible delivery.

**STRATEGIC OBJECTIVES AND GOALS**

- To improve compliance with the Estate Agency Affairs Act and Financial Intelligence Centre Act;
- To build capacity of key stakeholders and professionalise the estate agency sector;
- To ensure that that the Fidelity Fund is financially sustainable;
- To ensure that the EAAB operations are efficient and effective;

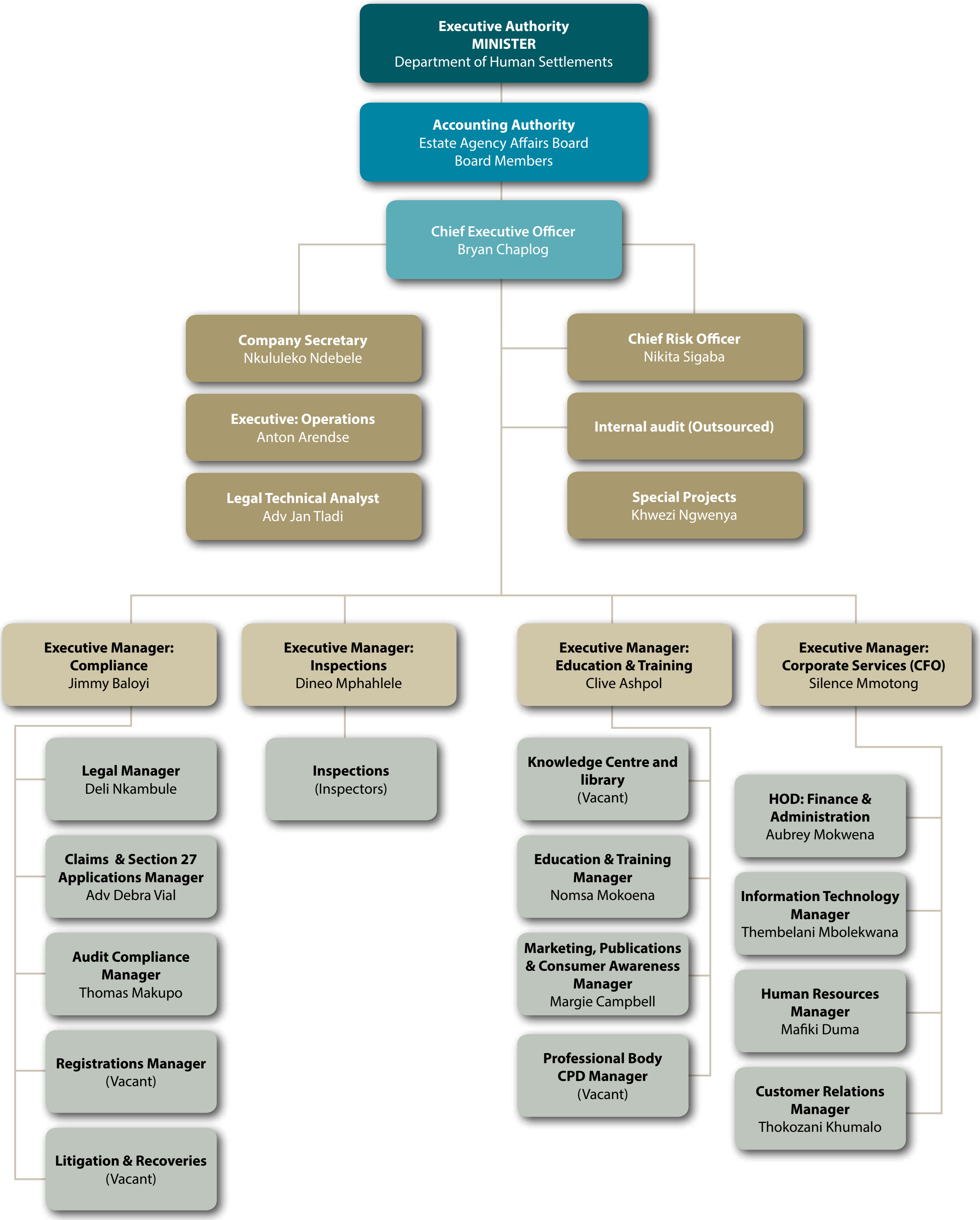
**LEGISLATIVE MANDATES**

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 Constitution of the Republic of South Africa
- The Estate Agency Affairs Act, 112 of 1976
- The Public Finance Management Act, 1 of 1999
- The Preferential Procurement Framework Act, 5 of 2000
- The Financial Intelligence Centre Act, 38 of 2001
- The Labor Relations Act, 66 of 1995
- The SA Qualifications Authority Act, 58 of 1995 and
- The Skills Development Act, 97 of 1998
- The Promotion of Administrative Justice Act, 3 of 2000
- The Promotion of Access to Information Act, 2 of 2000
- The Prevention of Corrupt Activities Act,12 of 2004
- Protection of Personal Information Act, 4 of 2013
- Sectional Title Schemes  Management Act, 8 of 2011
- The National Credit Act, 35 of 2005
- The Consumer Protection Act, 68 of 2008
- Community Services Ombud Services Act, 9 of 2011
- Broad Based Black Economic Empowerment Act, 53 of 2013

Section 32A of the Estate Agency Affairs Act was replaced as unconstitutional on the 26$^{th}$ of February 2016. There were no further changes to the legislative mandates. It should, however, be noted that the EAAB, along with the Department of Human Settlements, are in the process of preparing the Property Practitioners Bill for promulgation which, when concluded, will repeal the current Estate Agency Affairs Act.

# ORGANISATIONAL STRUCTURE



# BOARD MEMBERS

Prof. Kwandiwe Kondlo
(Chairman)

Ms Maletsatsi Maceba-Wotini
(Deputy Chairman)

Ms Pat Lebenya-Ntanzi

Mr Mputumi Bubele Damane

Mr Sikander Kajee

Adv. Tshepo Maake

Dr Fazel Randera

Ms Jabhile Mbele

Ms Jill Corfield

Mr Bethuel  Nsibande

# EXECUTIVE MEMBERS

**Bryan Chaplog CA(SA)**
Chief Executive Officer

**Silence Mmotong,**
ACMA, CGMA, MSc (UK)
Chief Financial Officer

**Nikita Sigaba, CA(SA)**
Chief Risk Officer

**Khwezi Ngwenya, LLB, PGD**
Executive Manager:
Special Projects

**Clive Ashpol, Hons BA, MBL, LLB, LLM**
Executive Manager:
Education and Training

**Jimmy Baloyi, B. Proc (UNIN), PGDLL (UJ)**
Executive Manager:
Enforcement and Compliance

**Nkululeko Ndebele, BA (Law), LLB**
Company Secretary

**Anton Arendse, B. Ach(UCT), MCRP (UCT)**
Business Operations Executive

**Dineo Mphahlele, B. Proc**
Executive Manager: Inpections

**Adv. Jan Tladi, B.Juris, LLB, LLM**
Technical Legal Analyst

# MANAGEMENT MEMBERS

**Aubrey Mokwena, BCompt, PGD: Accounting Sciences**
HOD: Finance and Administration

**Mafiki Duma, BTech(HR), MBA**
Human Resources Manager

**Margie Campbell, Dip. PR, Dip. Sec**
Marketing, Publications and Consumer Awareness Manager

**Nomsa Mokoena, BTech (HR), MBA**
Education and Training Manager

**Thomas Makupo, CA(SA)**
Audit Compliance Manager

**Thokozani Khumalo, LLB, PGD: Contracts**
Customer Relations Manager

**Deli Nkambule, LLB, PGD: Contracts**
Legal Manager

**Adv. Debra Vial, BA, LLB**
Claims and Section 27 Applications Manager

**Thembelani Mbolekwana MCSE,MCDBA**
ICT Manager

# CHAIRMAN'S REPORT

# CHAIRMAN'S REPORT

**PROFESSOR KWANDIWE KONDLO**
**CHAIRMAN**

Perhaps in a manner similar to that of companies which pay dividends to shareholders, there is another kind of dividend, we the leaders of companies and state institutions, have to nourish and deliver to our stakeholders and citizens at large- the ethical dividend. The ethical dividend is about 'being-for-the-other', it is about honesty to society's moral foundations and in that way restore the trust and integrity our institutions require.

It is indeed pleasing for me again to be able to report that the Estate Agency Affairs Board ("EAAB") not only achieved positive growth but also significantly expanded and improved the implementation of its policies, processes and procedures during the period under review. The dedicated modernisation and optimisation programme introduced by the Chief Executive Officer, with the full approval, support and inputs of the Board, is typical of the increased efforts that were consistently made to ensure the continuation and advancement of a viable, professionalised and inclusive estate agency sector.

I wish, on behalf of all Board members, to express my grateful appreciation to the Minister of Human Settlements for the confidence, faith and trust that she reposed in us throughout our period of tenure as Board members. Her continuing and unwavering support to the EAAB was of inestimable value to us while she, in addition, served both to motivate and inspire Board members to achieve greater heights in the execution of their frequently onerous functions and duties. I hasten to assure the Minister that Board members fully demonstrated their absolute commitment to the affairs of the Board and to the estate agency sector throughout their period of service and sought always efficiently and effectively to fulfil the statutory mandate that had been entrusted to them. This, I believe, was done with significant success.

I would like, in addition, to recognise the exceptional contributions that were made to the affairs of the EAAB by my fellow Board members. I wish to express my grateful thanks and appreciation to them for their conscientious work ethic, commitment and dedication as they diligently accepted and discharged their responsibilities in the best interests of the Department of Human Settlements, the EAAB, property consumers, the general body of estate agents and all other stakeholders. Throughout the course of my extensive interactions, both formal and informal, with Board members during my term of office they constantly impressed me by unfailingly acting with the degree of skill, dignity and professionalism that was expected of them. Board members were, in my experience, eager to impart their specialised knowledge, competencies and expertise in the variety of academic disciplines and occupational fields that they represented for the betterment and advancement of the EAAB. This they did and I believe that their inputs were greatly appreciated and valued not only by their colleagues but, also, by the management and staff of the EAAB.

It would be remiss of me should I fail to express the gratitude and appreciation of Board members for the efforts and readiness of management and staff professionally to fulfil their demanding tasks and duties in the best interests of the EAAB. I wish to commend them for steadfastly staying the course in the service of the EAAB. Through their unrelenting efforts the EAAB was again able to obtain a clean audit report.

Mr. Bryan Chaplog, the Chief Executive Officer, warrants special mention. His outstanding leadership skills and undoubted competence, knowledge and charisma enabled the EAAB not only to meet the many challenges that the organisation inevitably faced but to emerge successfully therefrom. The outstanding efforts of Mr. Chaplog are highly commended.

I firmly believe that accelerated progress also continued to be made by the EAAB during the period under review as it rapidly sought to realise its vision of being a world class regulator. The EAAB committed substantial efforts and resources to, amongst others, addressing the imperative of remedying past injustices, building the future and guiding the real estate sector in the professional environment which it has now attained. This, no doubt, augurs well for the future.

The EAAB also utilised the opportunity to focus significant attention to the operationalisation of such critical success factors as:

- consolidating the hard-won professionalism of the estate agency sector;
- ensuring that employment opportunities available in the estate agency sector are more appropriately viewed as a career of choice rather than as 'a job of last resort';
- providing excellent career preparation, education and training for new entrants to the sector and, in particular, for members of previously disadvantaged communities, women, the youth and people with disabilities;
- increasing the protection that is afforded to consumers in their dealings with estate agents;
- promoting quality standards and continuous performance excellence and improvement both internally and externally;
- encouraging maximum levels of compliance by all estate agency practitioners;
- 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 is sufficiently resourced and has the necessary capacity to successfully discharge its statutory regulatory mandates.

I am more than ever inclined to the view that estate agency practitioners and the consuming public alike continue to repose faith and trust in the EAAB as the statutory regulator and SA Qualifications Authority recognised professional body of the sector. The professionalisation of the sector ensures that confident, capable and knowledgeable estate agency practitioners can render estate agency services of the highest calibre and that they are able to offer trusted and reliable advice to the consumers that they serve and with whom they interact.

During the period under review members of the Board of the EAAB were able to interact, both formally and informally, with sector professionals as well as other interested stakeholders. I believe that constructive engagement of this nature, in fact, represents a critical aspect in achieving positive outcomes for the estate agency sector and, of course, for consumers. My fellow Board members and I were privileged to be able to determine at first-hand the commendable levels of dedication, commitment and professionalism presently evinced by most estate agency sector professionals. We were, moreover, afforded the opportunity of discussing issues of mutual interest and concern with, and gauging the feelings of, sector members and stakeholders with special reference to current and envisaged EAAB strategies, programmes and initiatives. This interaction provided a valuable opportunity for the EAAB to assess the prospects for further growth and areas of future improvement.

The EAAB, in addition, again focused on proficiently executing its core mandate and mission of advancing the professionalism of the sector by providing adequately qualified practitioners to serve property consumers. By promoting quality standards and continuous performance improvement, both internally and externally, the EAAB has ensured an acceptable level of statutory compliance by estate agency practitioners, notwithstanding that full compliance will always remain the ultimate goal. These efforts will surely be advanced with the expected future promulgation of the proposed Property Practitioners Act, a modern piece of legislation that supersedes the 1976 Estate Agency Affairs Act.

The EAAB also continued to discharge its statutory obligations as the Supervisory Body of the estate agency profession in accordance with the requirements of the Financial Intelligence Centre Act. While the performance of this additional core function has undoubtedly placed a strain on the EAAB's finite resources, the EAAB continues effectively to cooperate with the Financial Intelligence Centre and to implement the Memorandum of Understanding that was concluded between the two organisations. This mutual cooperation has reinforced the EAAB's risk management capability to the benefit of the estate agency sector and the consumers which it served.

I would like to thank my fellow board members for their relentless and invaluable contributions to the Board acknowledging the time and effort that they dedicated to its success: M Wotinti, P Ntanzi, F Randera, M, Damane, L Mlambo, E Porteous, A Ben-Mazwi, J Corfield, D Molomo, M Nsibande, S Kajee, T Maake, R Marivate and J Mbele.

I must, finally, record that the term of the current Board expired on 31 December 2015. A new Board of 15 members was appointed by the Minister on the 6th of July 2016. I take this opportunity to wish them all the best in their endeavour.

**PROFESSOR KWANDIWE KONDLO**
**CHAIRMAN**

# CHIEF EXECUTIVE OFFICER'S REPORT

# CHIEF EXECUTIVE OFFICER'S REPORT

**BRYAN CHAPLOG CA(SA)**
**CHIEF EXECUTIVE OFFICER**

**The Estate Agency Affairs Board ("EAAB") and the Department of Human Settlements**

It is my pleasure and honour to report that the EAAB enjoyed a most successful financial year during 2015/2016. This was capped by the fact that the EAAB received a clean audit as will appear from the financial statements forming part of this report. This is a matter of great pride to me and it underscores our commitment to ensuring effecient and effective governance. This may, in large measure, again be attributed to the skilled and capable leadership and guidance so graciously afforded it by the Honourable Minister of Human Settlements, Ms. Lindiwe Sisulu MP. The warm relationship that exists between the EAAB and the Minister is a source of great pride. It is wonderfull to know that the Minister is so readily accessible and so amenable to assist. The EAAB, moreover, greatly benefitted from the oversight so conscientiously provided by the National Department of Human Settlements and, more especially, Mr. Mbulelo Tsangana, the Director General of the Department and his officials. The EAAB, indeed, feels fortunate and greatly privileged to enjoy a warm, harmonious and fraternal working relationship with both the officials of the Department of Human Settlements and also of its many agencies. This mutually beneficial relationship is not only of immense pride and value to the EAAB but, indeed, contributes significantly to the effective discharge by the EAAB of its statutory regulatory mandate.

**The term of office of the Board members of the EAAB**

Sight should, moreover, not be lost of the substantial contribution made to the EAAB as an organisation by its erudite and knowledgeable Board members during the period 1 April to 31 December 2015, when their three-year term of office expired. I would record, in this respect, that the Minister of Human Settlements had duly commenced the process of appointing new Board members, as required by section 3(2) of the Estate Agency Affairs Act, 112 of 1976, as early as April 2015. This necessarily comprehensive and multifaceted process had, however, not yet been finalised by 31 December 2015. The new Board was subsequently appointed by the Minister of Human Settlements on 6 July 2016 in compliance with the provisions of the Estate Agency Affairs Act.

**Ensuring that the EAAB becomes a sound and trusted world class regulator**

It is to be underscored that Board members had collectively focused significant effort on ensuring that the EAAB consistently remained on track to reach its ultimate target of becoming a sound and trusted world class regulator. I wish to extend my sincere gratitude and appreciation to the EAAB Board members for having so willingly and generously provided the necessary leadership, competencies and skills not only to the activities of the EAAB Board but also to the various sub-committees upon which they served. Board members, in so doing, undoubtedly made a vital contribution to enabling the EAAB better to serve its stakeholders, property consumers in general and the property profession in particular. I am especially appreciative of the valuable contributions consistently made to the functions and work of the EAAB by Professor Kwandiwe Kondlo, the Board Chairman, and Ms. Maletsatsi Wotini, the Deputy Chairman, both of whom were re-elected to these respective positions.

**The evolution and expansion of the property sector**

It seems trite, yet true, to state that the property sector in general, and the estate agency environment in particular, continued both to evolve and to expand during the period under review as it sought to identify and accommodate the on-going demands of a rapidly changing socio-political-economic environment and property landscape.

**South African residential property stock**

While it should never be overlooked that the residential property stock constitutes but one aspect of the entire multi-differentiated

South African property environment, all of which falls under the regulatory purview of the EAAB, I believe that it nevertheless of significance, at this juncture, to have regard to the composition of the South African residential property stock as it pertained during the 2015/16 financial year. Doing so provides a powerful reference point for purposes of future research, investigation and development. Such an analysis, indeed, also suffices to provide a more meaningful insight into the regulated estate agency sector, which contributes so significantly to the South African Gross Domestic Product, especially when it is considered that the total value of residential property stock was R4,5 trillion.

**Utilisation of immovable property as an economic enabler**

It is self-evident that as South Africans become increasingly more aware of the inherent value of property as an economic enabler they will progressively begin to focus more on property ownership as a key investment goal and opportunity rather than simply viewing property as only a means of shelter as was previously the position. This will have substantial ramifications for the regulated sector as secondary immovable property markets are created in areas where they hitherto did not exist.

**Issues which received the attention of the EAAB during the period under review**

It can be more fully appreciated, therefore, that it was necessary for the EAAB during the period under review to have regard, amongst others, to such pertinent issues as:

- the imperative of transforming the property and estate agency sectors to ensure that they speedily conformed to the demographic realities of a democratic South Africa;
- the continuing professionalisation of estate agency as a career of choice with all that this broad objective necessarily entailed;
- the development and implementation of enhanced and 'fit for purpose' query management systems to provide better and more efficient customer relations services to stakeholders;
- a substantial investment in modern IT systems;
- the implementation of appropriate and goal-directed consumer awareness campaigns;
- the establishment of regional offices to enable the EAAB more fully to meet the needs of all estate agency practitioners;
- making Information Technology and other resources available to estate agency practitioners from previously disadvantaged communities to ensure that they were able to achieve reputational and financial success in a relatively new sector where they are concerned; and
- encouraging an awareness of, and the introduction of appropriate steps and measures to eliminate, any residue aspects of racism, discrimination or acts of intolerance, of whatsoever nature, that might occur within the sector.

It may be stated that the effective and successful implementation of these specific programmes, which are more fully dealt with elsewhere in this Annual Report, inevitably required significantly enhanced resources, both financial and human, where the EAAB was concerned. The acknowledged success of these programmes, moreover, clearly redounded to the benefit of all sector stakeholders, specifically including estate agency professionals and the consumers with whom they daily interact.

**Playing a more responsive role in the South African economic landscape**

The EAAB also continued to dedicate itself not only to playing a more responsive role in the South African economic landscape but also in positively impacting the property sector for the benefit of both the consumers and property practitioners. During the period under review, for instance, the EAAB steadfastly focused on improving its operational environment through the more effective use of technology and technological innovations in its service offering to estate agents and stakeholders. Additional services were, thus, provided through the increased use of online solutions notwithstanding that the EAAB yet remained flexible in the adjustment of these solutions as it proceeded to navigate the usual introduction and implementation challenges that inevitably arise.

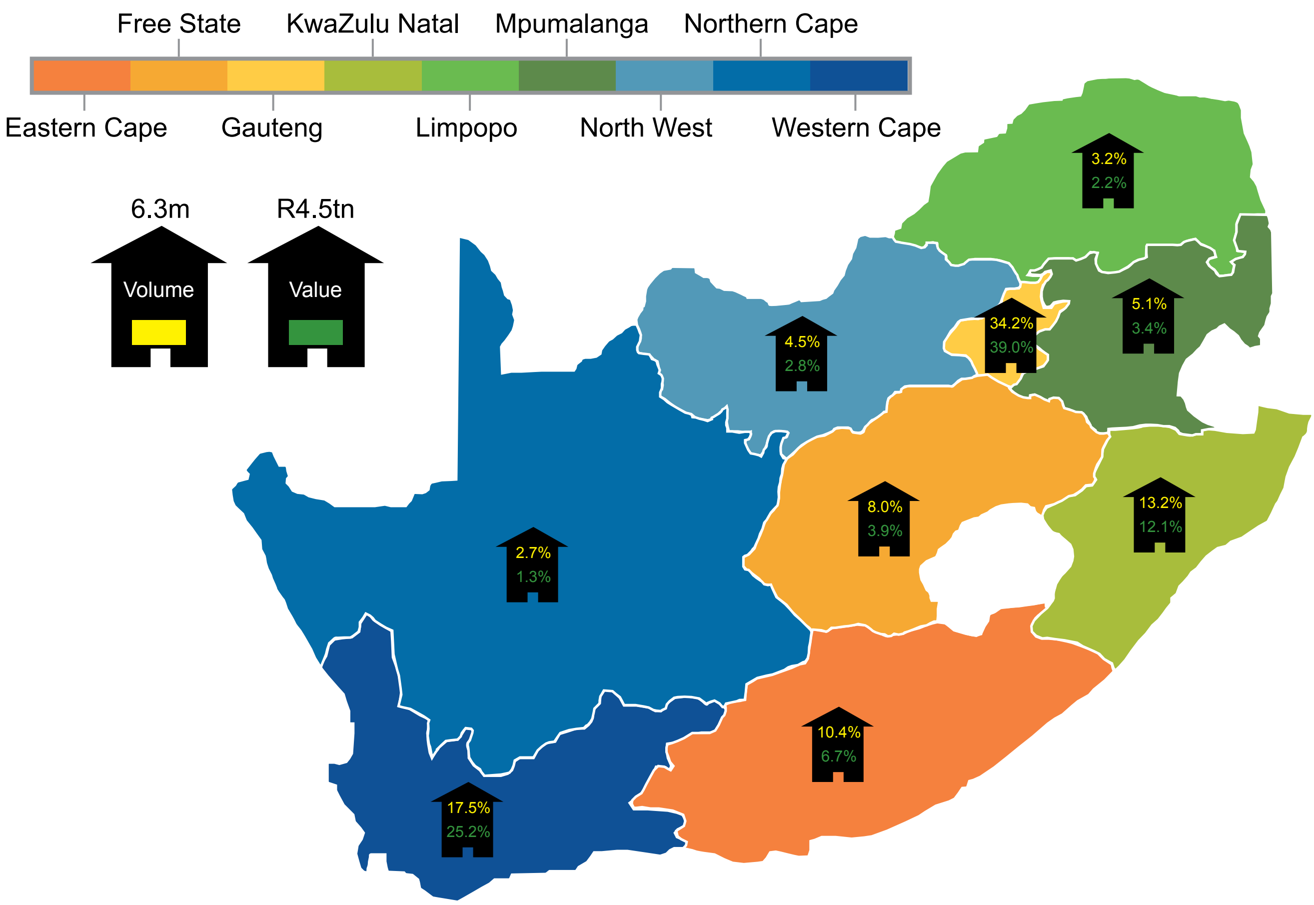
**Making more effective use of available technology**

The EAAB has, over the years, resolutely endeavoured to make the submission of the mandatory annual auditor's reports in respect of estate agency enterprises as user-friendly as possible. In pursuance of its stated modernisation and optimisation programme it became mandatory, during the period under review, for such reports to be submitted by auditors to the EAAB online. The ever-increasing levels of co-operation and support that the EAAB received from estate agency principals and their auditors in this respect are to be greatly commended. This innovation also had the positive effect of significantly expediting the assessment and updating of such reports by the EAAB. It was, furthermore, noted that the number of non-compliant estate agencies who had failed timeously to submit auditor's reports had, conversely, showed a marked decline. It is apparent that the impressive improvement in auditor's report processes and procedures adopted by the EAAB was keenly appreciated by stakeholders and, moreover, that this bodes extremely well for the future of the sustainability of the sector as a whole.

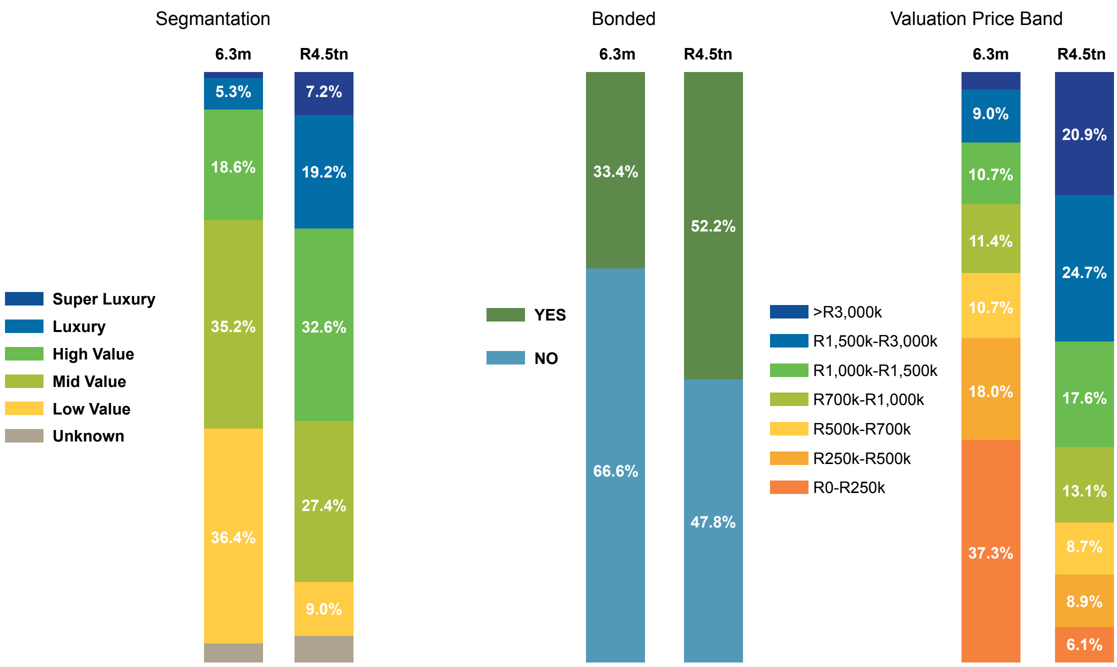
**Professionalising the real estate sector – Continuing Professional Development**

The EAAB continued, in addition, to focus on professionalising the real estate sector. In its joint capacity as statutory regulator and, also, as the SA Qualifications Authority recognised professional body of the estate agency sector, the EAAB successfully launched

## Composition of SA Residential Property Stock




## Total Property and Mortgage Market




**Source: Lightstone (2016), South African Residential Property Market**

a Continuing Professional Development Programme ("CPD") for practicing professional estate agents during the year under review. Only intern estate agents were exempted from compliance with peremptory CPD requirements. The CPD programme proved to be most successful and has been warmly received by most participants who clearly appreciate the neccessity of keeping abreast of real estate developments and of maintaining the professionalism of the sector in eyes of the communities in which they practice.

It is gratifying to record that during the 2015 calendar year the EAAB delivered over 176 CPD contact sessions nationally. It is also pleasing to note that well over 13 000 qualifying estate agents enrolled for, and completed, the first year of the three-year CPD rolling cycle. To facilitate participation in the mandatory CPD programme the EAAB also introduced an e-learning CPD intervention to supplement the one-on-one contact sessions. Empirical data indicates that in excess of 1 500 estate agents completed the first year of the CPD programme through e-learning. It does seem that significantly more estate agents will seek to complete the mandatory CPD requirement through the e-learning process in future years and the EAAB will ensure that they are able to do so.

The annual seminars previously presented countrywide by the EAAB were incorporated into the CPD programme under the rubric of 'Integrated Real Estate Dialogues'. Estate agents are, thus, now able to accrue verifiable CPD points through attendance at these popular events. As the feedback received from persons attending these events was overwhelmingly positive it may be accepted that this innovation has been well received by the general body of professional estate agents.

With the successful introduction and implementation of the CPD programme property consumers, for their part, are able to rest assured that registered estate agents who comply with the CPD requirements will be in a far better position consistently to provide professional estate agency services of the highest calibre. Property practitioners who have complied with EAAB educational requirements can, indeed, be accepted as persons who are knowledgeable, and keep abreast of, relevant property-related issues, legalities and processes.

**Countering acts of racism, discrimination and intolerance**

Acts of racism, discrimination and intolerance committed by estate agents were, unfortunately, not only prevalent during the period under review but also received significant press and public attention. Such reprehensible acts are not only contrary to the integrity of estate agents in general but also bring the estate agency profession as a whole into disrepute. The EAAB, therefore, unequivocally distanced itself from any instances of discrimination on the grounds of race, gender, religion, nationality, or any other factors. The EAAB, furthermore, acted resolutely within its regulatory and authoritative powers to remove all vestiges of racism and discrimination wherever they may occur within the estate agency sector. The EAAB is determined not to tolerate the manifestation of any form racism, discrimination or acts of intolerance and it will certainly not permit odious acts of this nature to take place within the regulated sector.

**The Equity Pledge**

The EAAB, acting in concert with the estate agency sector, created and circulated an Equity Pledge form pursuant to which all estate agents are required to pledge their commitment to non-racism and absolute equality in the rendering of estate agency services to property consumers. The response from the estate agency sector has, thus far, been quite encouraging while the position will continue to be monitored during the ensuing financial year.

**Establishment of the Multi-Stakeholder Group**

I am pleased to report that my concerted efforts to establish a formally structured Multi-Stakeholder Group, comprising both the EAAB and estate agency sector representative organisations, finally came to fruition during the period under review. The underlying objective of creating the Multi-Stakeholder Group, which met on a monthly basis, was to identify, discuss and, of course, hopefully resolve the many pertinent concerns, issues and challenges which members of the estate agency profession, in its many differentiated spheres, generally encountered. The MSG meetings have created the much needed forum for the discussion and ventilation of pertinent matters affecting the interests of the real estate sector and for ensuring that such matters are suitably addressed. Due to the activities of the Multi-Stakeholder Group significant successes in this respect have already been achieved.

During the period under review the Multi-Stakeholder Group comprised representatives at the highest level of:

- the EAAB;
- the National Property Forum (NPF);
- the Institute of Estate Agents of South Africa (IEASA);
- the National Association of Managing Agents (NAMA);
- the Real Estate Business Owners of South Africa (REBOSA);
- the South African Property Owners Association (SAPOA);
- the South African Institute of Auctioneers (SAIA); and
- the South African Business Brokers Association (SABBA).

**Transformation of the estate agency sector - the "One Learner - One Estate Agency Youth Brigade Empowerment" programme**

It is pleasing, therefore, to report that the 'One Learner – One Estate Agency Youth Brigade Empowerment" programme ("the programme"), which aims at placing intern estate agents from previously disadvantaged communities in the service of registered estate agency enterprises so that they may act under the supervision and control of a suitably qualified mentor for a period of twelve months, proved to be most successful during the 2015/16 financial year.

It remains unfortunately true that the transformation of the property sector so as to reflect the demographics of a democratic South Africa is still not as advanced as it ought to be. The EAAB is consequently determined to continue to emphasise transformation in light of the fact that changes in the spatial demographics of the South African property landscape require the full cooperation and support not only of estate agents but, indeed, of all South African property buyers, sellers, landlords and tenants.

A major underlying objective of the programme is to increase the level of representation and participation of the youth, previously disadvantaged persons and persons with disability within the property sector in general and the estate agency environment in particular. The programme is intended to accelerate the much needed transformation of the real estate sector, which is presently heavily skewed in favour of white South Africans, to reflect the demographic realities of a democratic South Africa.

Participation in the programme is open to matriculants, TVET college graduates, university and university of technology graduates as well as persons with disability. The programme aims, in particular, at placing intern estate agents from the identified groups into the service of registered estate agency enterprises. Such intern estate agents are required to complete the compulsory twelve-month internship period acting under the supervision and control of an appointed mentor estate agent while they simultaneously seek to be certificated against the Further Education and Training Certificate: Real Estate (NQF Level 4). Both the intern estate agents and their mentors are required to maintain and complete an intern logbook. This requirement ensures that the intern estate agents are able to gain relevant practical work experience and that they are not relegated to the fringes of estate agency practice.

After they have completed the twelve-month internship period and been certificated against the Further Education and Training Certificate: Real Estate, the intern estate agents must enrol for, and pass, the Professional Designation Examination for non-principal estate agents (PDE 4). The PDE 4 represents the final summative assessment of the ability of the intern estate agents to integrate their theoretical learning with the practical on-the-job experience acquired during the internship period. Successful PDE 4 candidates are also awarded the designation 'PPRE' (Professional Practitioner in Real Estate) which is registered on the National Learner Registration Database ("NLRD") maintained by the SA Qualifications Authority.

Having met these educational requirements intern estate agents obtain a status upgrade to full status professional practitioner in real estate. Persons wishing to become real estate business owners are required, thereafter, to be certificated against the National Certificate: Real Estate (NQF Level 5) and subsequently to pass the Professional Designation Examination for principal estate agents (PDE 5). This results in the award of the "MPRE" (Master Practitioner in Real Estate) designation which is, similarly registered on the NLRD.

The programme, thus, essentially equips the intern estate agents with the required property market experiential learning while they obtain the necessary real estate qualifications. It aims at retaining such persons within the sector and at enabling them to achieve financial and reputational success as they continue to work as estate agents and, hopefully, become the business owners of the future.

The EAAB is most grateful for the support that it continues to receive from the Services SETA as a key funding partner of the programme.

It is intended that the programme be significantly accelerated during the next financial year. Following the conclusion of a partnership agreement between the EAAB and the South African Graduates Development Agency ("SAGDA"), it is envisaged that a further 3 000 intern estate agents will be accepted into the programme.

I remain hopeful that the EAAB will continue to receive the active co-operation of stakeholders in the furtherance of this important endeavour for, without their commitment, cooperation and support, the imperative of effecting the radical transformational change, which the real estate sector so urgently requires if it is to safeguard its continued sustainability, may be hindered.

**Legislative review**

The legislative review of the Estate Agency Affairs Act, 112 of 1976, made significant progress during the financial year in question as it was presented to various forums as part of the legislative process. It is envisaged that valuable and well considered inputs on the proposed Property Practitioners Bill will be forthcoming from stakeholders once the Bill is duly published for public comment in due course.

**Registrations and renewals of fidelity fund certificates**

While it is pleasing to note that the turnaround time for the issue and renewal of fidelity fund certificates was significantly reduced during the period under review the EAAB remains determined not to rest on its laurels. I am, thus, presently exploring all other feasible and available avenues that may facilitate the further reduction of turnaround times. As will be more fully apparent from the content of the Annual Report, it is pleasing to note that the EAAB successfully issued a total of 38 503 fidelity fund certificates to individuals and 5 226 fidelity find certificates to estate agency firms during the period under review.

## Education and training

The Education and Training Department was again tasked with ensuring both the professionalisation and the transformation of the estate agency sector by fully implementing the educational dispensation for estate agents as established by the Standard of Training of Estate Agents Regulations promulgated on 4 June 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 pass a Professional Designation Examination for both principal and non-principal estate agents respectively and to participate in the CPD programme.

## Disciplinary Inquiries

The EAAB continued to receive and investigate complaints against estate agents from members of the public. The intensive consumer awareness initiatives conducted by the EAAB during the period under review, using all available means of communication including community radio stations, has resulted more knowledgeable and empowered consumers who are increasingly aware of their rights and obligations when engaging in property transactions. The need to reach even more consumers remains a challenge that the EAAB is determined to address.

## Management and control of the Estate Agents Fidelity Fund

The management and control of the Estate Agents Fidelity Fund, as prescribed by the Estate Agency Affairs Act, is a function integral to the activities of the EAAB. It will be seen from the Annual report that, during the financial year under review, the liquidity and solvency of the Fund remained sound.

## Stakeholder management

Pursuant to the modernisation and optimisation programme implemented by the EAAB, two online communication portals, namely the "MyEAAB" and "MyCPD" portals respectively, were made available to stakeholders on the EAAB website. These portals have proved to be particularly beneficial as they have not only enabled the EAAB to update the contact details of registered estate agents but have also increased its capacity to reach specifically identified stakeholder segments. Most registered estate agents can, consequently, now be electronically accessed by the EAAB.

## Consumer awareness and education

As a constituent part of its consumer awareness programmes during the period under review the EAAB successfully conducted various consumer awareness workshops in all provinces. The reach of the EAAB's consumer awareness programmes was, furthermore, routinely enhanced through the increased use of all available and relevant communications media platforms with special emphasis on radio as a medium of mass communication. This has significantly increased the EAAB's footprint, thereby empowering more consumers with the knowledge that they may previously have lacked.

An integral aspect of the EAAB consumer awareness programme is to both engage with and educate consumers by informing them of the EAAB, as the statutory regulator of the property sector, as well as the many consumer protection services that the EAAB is able to offer. Consumers are, for instance, made aware of the importance of using only registered estate agents for the rendering of real estate transactions and are apprised of the significant difference between engaging the services of persons who purport to be estate agents, but who are not registered with the EAAB, as against the estate agency services of professional, fully complaint and registered estate agents. It is emphasised to consumers that, in instances where the services of illegally trading operators are utilised, there is an exponentially increased risk of unprofessional conduct which may even result in the theft or misappropriation of trust moneys.

A further important element of the consumer awareness initiative is the provision of knowledge enabling consumers to utilise immovable property as a store of wealth. To achieve this end it is essential that the property owner be provided with the title deed of the property concerned. In furtherance of this consideration the Department of Human Settlements recently instituted a far-reaching transformation programme aimed at providing title deeds to all property owners. This laudable objective aligns with the mandate of the EAAB and, also, with the mandate and priorities of the Department of Human Settlements.

As part of its consumer awareness programmes for the year under review, the EAAB successfully conducted workshops in all provinces. The EAAB's consumer awareness programmes also assists in carrying all relevant messages through its radio platforms which has increased significantly during the year under review.

The EAAB's consumer awareness includes both engaging with consumers and educating them on who the EAAB is as well as its duties and obligations as the statutory regulator of the real estate profession. It is imperative that consumers should be made aware of the importance of using only duly registered estate agents for all property transactions and be apprised of the significant difference between engaging the services of persons who purport to be estate agents but who are not registered with the EAAB. In most instances, in this latter respect, the unfortunate result is a fraudulent transaction with the consequent loss of the consumer's money.

## New consumer protection initiative launched

The EAAB successfully launched a new consumer protection initiative to enable consumers to distinguish between illegal operators and legitimate professional estate agents.

Estate agents are now required to make use of a digital seal in all electronic media which confirms their current registration status. Accessing that seal enables consumers to check that the person that they are dealing with is a registered and qualified estate agent.

The seal, in addition, incentivises estate agent to ensure their contact details are always updated with the EAAB so as to provide the correct infomation and enhance awareness of the EAAB and its consumer protection functions where the public is concerned.

Registration by estate agents to obtain the required seal of authenticity is relatively straightforward process as outlined below:


**Title deed restoration programme**

It is essential that all recipients and beneficiaries of subsidised and affordable housing be furnished with the title deed to their properties, whether the houses in question were acquired before or after the transition to democracy in 1994. Housing beneficiaries who have received the title deed to their properties are legally acknowledged as being the owners of those homes and are able to deal with them accordingly. Home owners may utilise their homes as collateral to secure mortgage finance thereby enabling them, for example, to establish a business undertaking or to upgrade the property. Having a title deed also facilitates the sale of the property concerned which contributes to the creation of a much needed secondary housing market in previously overlooked areas. Home owners are able, furthermore, to bequeath that property to their designated heirs. Possession of a title deed avoids the burdensome complications that otherwise may arise in the case of death. It is self-evident that homeowners having the title deeds to their properties are able fully to benefit from the undisputed advantages of property ownership and thereby more meaningfully participate in the economy.

The EAAB is fully mindful of the importance attached to the speedy eradication of the current backlog in the issue of title deeds to home owners and of the fundamental value of facilitating the issue of title deeds to persons in, particularly, the Reconstruction and Development Programme ("RDP"), the Breaking New Ground programme ("BNG") and gap markets. This is presently being facilitated by leveraging on existing strategic alliances concluded between the EAAB and the Ministry of Human Settlements, the national and provincial Departments of Human Settlements, local authorities and the various deeds offices. The EAAB wishes to record its gratitude for the much valued support that it has consistently received from the Black Conveyancers Association ("BCA") to this end.

There can be little doubt that significant additional value has been created in the affordable housing market segment which has also accelerated and stimulated the creation of a secondary housing market in these areas. This has had the desired effect of increasing the number of property practitioners rendering estate agency services in the affordable housing market and, more especially, in the gap market sectors. The gap market sector, where the income of a prospective property owner while sufficient to disqualify that person from benefitting from economic housing is yet insufficient to obtain mortgage finance through the usual channels, has benefitted immeasurably.
The issue of title deeds to property owners has served as a vital wealth creator, hitherto absent, which has had the positive effect of both alleviating poverty and providing an added stimulus to the ownership of immovable property.

**Customer relations**

I am pleased to report that, during the period under review, significant attention and resources, both human and financial, were again devoted to further improving the effective regulation of the estate agency sector. Priority was also given to making the use of EAAB information and technology systems more effective and 'user friendly' to enable estate agents fully to comply with their various legislative obligations on-line. While it must be conceded that this concerted modernisation and optimisation drive was not without its fair share of problems and challenges, both expected and unanticipated, it ultimately has proved to be extremely successful in meeting the increased expectations of stakeholders and was, accordingly, well received.

Of cardinal importance, in addition, was the identified need for the EAAB carefully to consider and analyse the nature and type of the queries that were generally received from stakeholders; the frequency of receipt of those queries; and, most importantly, the turnaround times for not only dealing with but also satisfactorily resolving all queries. It was essential, furthermore, to consider and highlight problematic gaps in service delivery to stakeholders. After the conclusion of this exercise the EAAB was able to effect all necessary improvements to its customer relations systems to expedite excellent service delivery.

Areas of investigation in this respect necessarily included, but were not limited to:

- the creation of a decentralised query management process;
- more effective use of online query management systems and techniques;
- the introduction of standardised professional query resolution processes; and
- an investigation into ways of improving turnaround times for the speedy and effective resolution of queries.

There can be little doubt that the EAAB call centre is frequently the initial point of contact between stakeholders and the EAAB. It was felt, thus, to be of critical importance that the call centre be empowered more fully to support the functional and operational departments of the organisation by efficiently dealing with routine queries and, also, communicating accurate and reliable information to stakeholders. It was hoped, and indeed this proved to be the case, that the vast majority of general queries would be satisfactorily resolved during this first interaction without any further wastage of time, or cause of irritation, to stakeholders.
During the period under review, therefore, much attention was focused on:

- analysing the number of queries that were immediately resolved by call centre operators by using a manual of "Frequently Asked Questions" that was specifically compiled for this purpose;
- managing the turnaround times for the answering of telephone calls;
- managing the quality of information provided to callers by call centre operators; and
- managing a seamless system for the transfer of telephone calls between, and from, call centre operators and EAAB operational and functional departments.

As will more fully appear elsewhere in this Annual Report, during the period under review 141 926 telephone calls were distributed by the EAAB call centre while 24 620 telephone calls were, for a multiplicity of reasons, abandoned. It appeared that, of these calls, 139 103 (or 84%) were satisfactorily answered and dealt with. While there is, no doubt, still room for further improvement, I am most gratified at this impressive result.

**Conclusion**

As Chief Executive Officer of the EAAB I dedicated myself to making the 2015/2016 financial period the year in which the full resources of the EAAB, both human and financial, would be effectively applied towards maximising and optimising the regulatory and professional body activities entrusted to the EAAB in the joint interest of both the consumers and property practitioners that the EAAB serves. I believe that I largely succeeded in fulfilling this objective. The result is that the EAAB has been able considerably to improve its systems, processes and procedures thereby making them more 'user-friendly'. This has both facilitated and encouraged improved legislative compliance by the regulated sector. The EAAB has, in addition, profoundly enhanced estate agency as a viable and financially rewarding career of choice for, particularly, members of previously disadvantaged communities, women, the youth and persons with disability, thereby inevitably leading to the necessary and speedy transformation of the sector in the interests of all South Africans.

I am immensely proud of the fact that the EAAB has made impressive gains in the exemplary execution of its regulatory functions and that the optimisation and modernisation projects that I have initiated are starting to yield the desired results. The success of these various projects emphasises the fact that the EAAB is definitely moving in the right direction and that it has become a regulatory force to be reckoned with.

The ongoing support of the Executive Authority and the EAAB Board is indispensable in ensuring that the EAAB continues to achieve success and makes necessary operational advances and breakthroughs. I remain confident that ever increasing optimisation and modernisation programmes will result in consistently improving operational efficiency and effectiveness. I am also satisfied that the current excellent co-operation and liaison with sector stakeholders, through such mechanisms as the Multi-Stakeholder Group, has created the necessary collaborative problem-solving mechanisms adequate to collectively addressing common problems, threats and challenges, whether perceived or real. I wish to thank industry stakeholders for their much valued inputs and commitment to advancing the professionalism of the sector. This has undeniably resulted in increased operational productivity and efficiencies where the EAAB is concerned.

I wish, finally, to express my sincere gratitude to EAAB executives, management and staff for their dedication and commitment both to the EAAB and to the economic sector which it regulates and serves. Their strong support for my assiduous and frequently protracted efforts exponentially to optimise the service offerings of the EAAB is valued. They will, however, also be sharply aware that I do not countenance mediocrity or the commonplace and that I insist on commitment, willingness, performance, continuous innovation, improvement and, most of all, results.

**Bryan Chaplog CA(SA)**
**CHIEF EXECUTIVE OFFICER**

# OPERATIONAL OVERVIEW

# 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'), is to maintain and promote the standard of conduct of estate agents as well as regulating their activities in the public interest. This can be achieved through the following:

(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;

**Additional to primary mandate of the EAAB**

**Financial Intelligence Centre**

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, money laundering and terrorist financing activities in the estate agents' sector.

**Government-wide priorities**

The expanded mandate of EAAB in respect of National Development Plan 2030 Vision and Trajectory is reflected in outcome number 8, which refers to sustainable and improved quality of household life. With respect to MTSF sub-outcome 2, the department of human settlements is required to ensure a sustainable residential property market. Based on this governmental strategic priority, EAAB recognises its role in supporting the following:

- Intensify homeownership induction programmes for the affordable housing market
- Establish transactional support for affordable housing market
- Monitor and reporting transactions in the secondary housing subsidy market
- Conduct analysis and disseminate information on property trends and values in the affordable housing market
- Develop policy and administration systems that support individual transactions in the secondary housing market
- Facilitate the regular backlog of title deeds to form part of the housing development.

**COMPLIANCE**

**Registrations and Renewals**

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.

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 2015/16 financial year the EAAB issued a total of **43 729** fidelity fund certificates and registration certificates, an increase from the **38 753** issued in the previous financial year. The graph below reflects the number of fidelity fund certificates issued during the year under review.

**Table 1: Registrations and Renewals**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Principal estate agents | 8 163 | 7 094 |
| Non-principal estate agents | 11 261 | 10 274 |
| Intern estate agents | 18 892 | 16 224 |
| Firms | 5 226 | 5 057 |
| Attorney employees | 187 | 104 |
| **Total** | **43 729** | **38 753** |

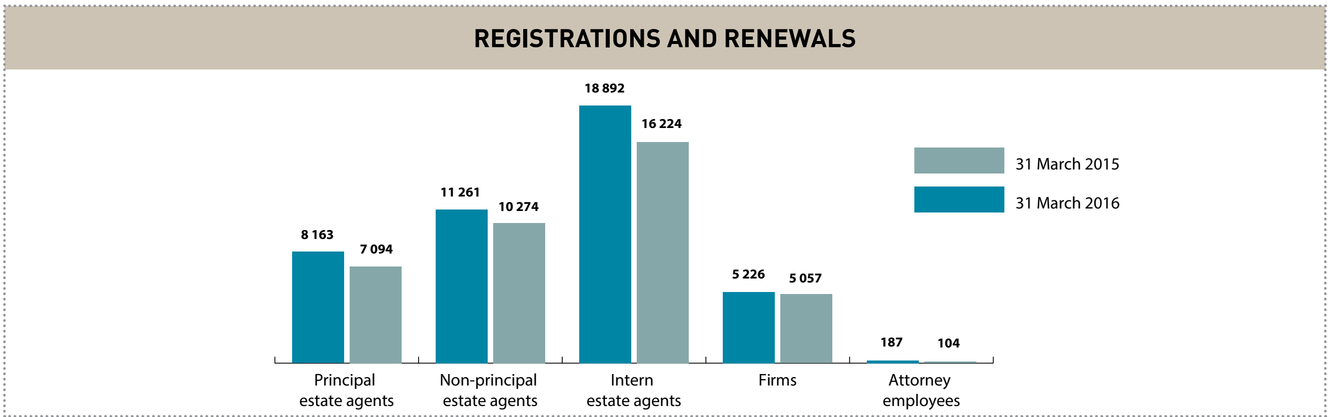



**Figure 3: Registrations and Renewals**

**FIDELITY FUND CERTIFICATES BY - GENDER**

The numbers relating to the gender of registered estate agents for the 2015/2016 financial year are indicated in the graph below.

**Table 2: Fidelity Fund Certificates By - Gende**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Male | 16 675 | 13 986 |
| Female | 21 828 | 19 710 |
| **Total** | **38 503** | **33 696** |

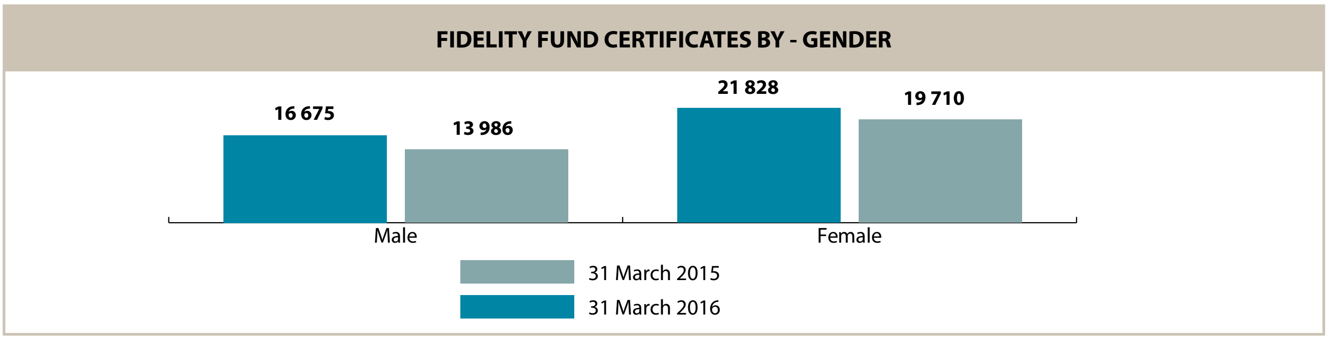



**Figure 4: Fidelity Fund Certificates By - Gender**

**FIDELITY FUND CERTIFICATE – BY PROVINCE**

The numbers of registered estate agents in each province for the 2015/2016 financial year are depicted in the chart below.

**Table 3: Fidelity Fund Certificates By - Province**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Kwa-Zulu Natal | 5 129 | 4 257 |
| Mpumalanga | 1 378 | 1 116 |
| Limpopo | 587 | 634 |
| North West | 1 198 | 925 |
| Free State | 1 120 | 939 |
| Northern Cape | 336 | 304 |
| Eastern Cape | 1 986 | 1 699 |
| Western Cape | 9 082 | 7 629 |
| Gauteng | 17 687 | 16 193 |
| **TOTAL** | **38 503** | **33 696** |

# OPERATIONAL OVERVIEW...continued

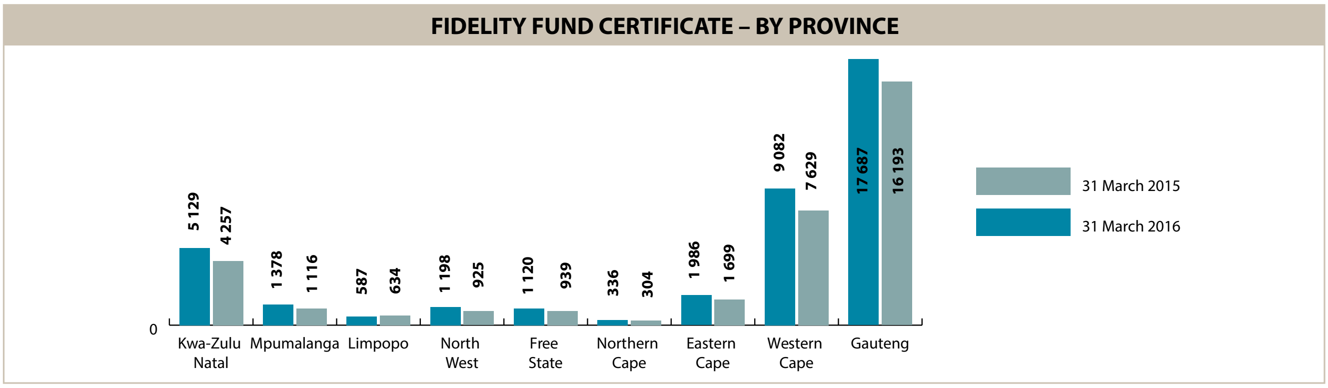



**Figure 5: Fidelity Fund Certificates By - Province**

**FIDELITY FUND CERTIFICATE – BY RACE**

The racial distribution of registered estate agents for the 2015/2016 financial year is indicated below:

**Table 4: Fidelity Fund Certificates By - Race**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| White | 31 794 | 28 689 |
| African | 3 944 | 2 955 |
| Coloured | 781 | 600 |
| Indian | 1 984 | 1 452 |
| **Total** | **38 503** | **33 696** |

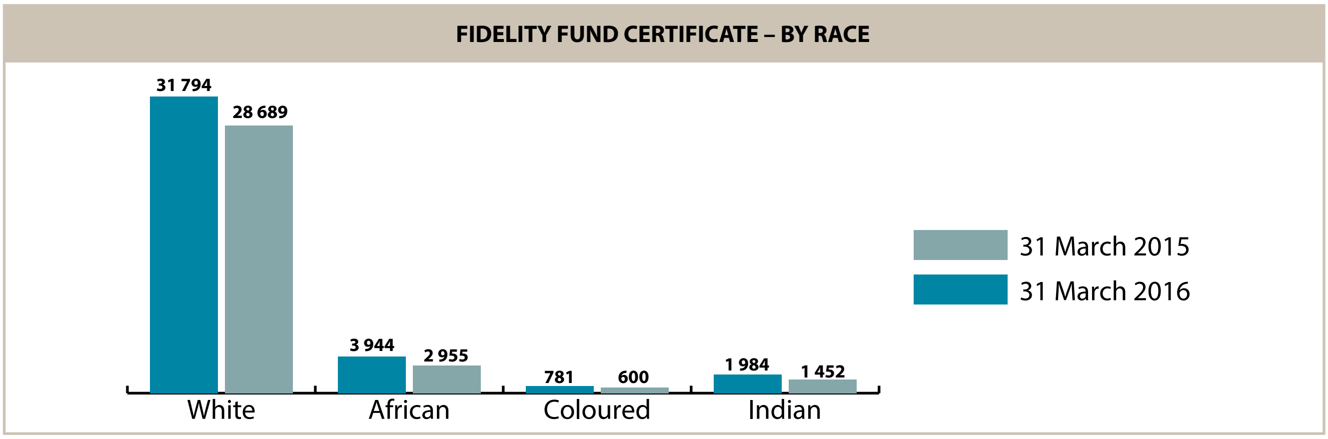



**Figure 6: Fidelity Fund Certificates By - Race**

**Table 5: New Registrations**

| CATEGORY | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Attorney Employees | 76 | 34 |
| Close Corporations | 69 | 66 |
| Partnerships | 1 | 18 |
| Companies | 357 | 240 |
| Full Status Estate Agents | 30 | 1 |
| Intern Estate Agents | 6 614 | 6 074 |
| Principal Estate Agents | 21 | 7 |
| **TOTAL** | **7 168** | **6 440** |

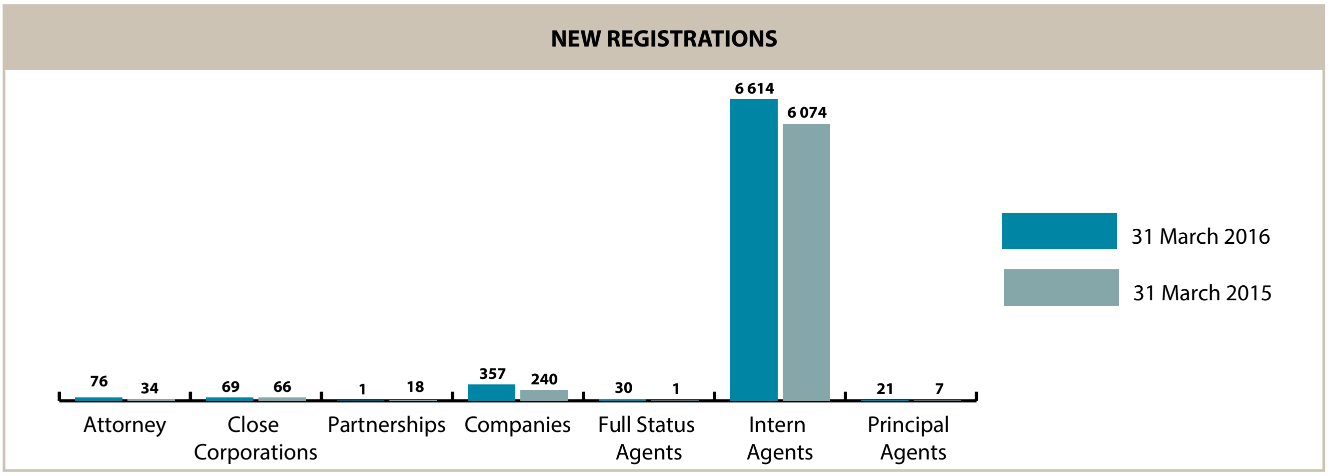



**Figure 7 : New Registrations**

## 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 as established by the Standard of Training of Estate Agents Regulations promulgated on 4 June 2008.

### Education and training regulatory and prescribed qualifications for estate agents

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 QUAL ID 59097). The regulation also prescribes that 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).

These qualifications, which are presently quality assured by the Services Sector Education and Training Authority (SSETA), are designed to enhance the provision of entry level service within the property and real estate professions and also seek to provide the broad knowledge, skills and values that are needed by estate agency practitioners in the property and real estate environment. The mode of delivery for these qualifications is formal training, recognition of prior learning, age-based and equivalency exemptions.

The following is a table illustrating the number of estate agents whose qualifications were updated as compliant with prescribed qualifications during the year under review, as compared to the previous financial year:

**Table 6: Compliance with prescribed qualifications**

| Compliance with prescribed qualifications | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Estate agents who qualified at NQF 4 (FETC: Real Estate) | 16 371 | 1 297 |
| Estate agents who qualified at NQF 5 (National Certificate: Real Estate) | 6 464 | 600 |
| **TOTAL** | **22 835** | **1 897** |

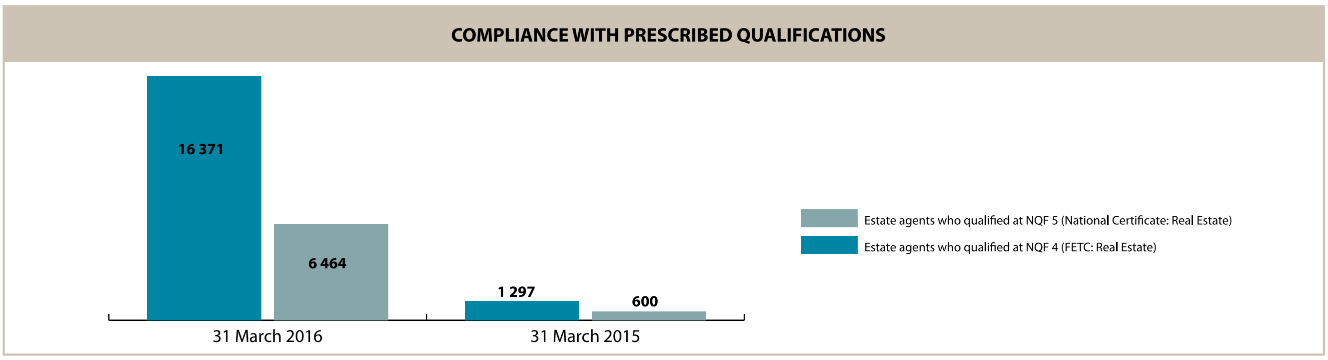



**Figure 8: Compliance with prescribed qualifications**

**Equivalency Exemption based on academic achievements**

By resolution of the Board adopted in 2008, all currently registered estate agents who have achieved tertiary qualifications that are both relevant and meet the prescribed equivalency exemption matrices of the Estate Agency Affairs Board, may apply for the grant of exemption from completing the prescribed qualifications, as would otherwise be required in terms of regulation 4(1)(a) of the Education Regulations.

Qualifying estate agents may apply for the grant of such an equivalency exemption by furnishing the EAAB with the required naturally occurring evidence in justification of the application as well as by including sufficient proof of tertiary qualifications.

During the period under review, equivalency exemptions were granted as follows, as compared with the previous year:

**Table 7: Equivalency exemption applications assessed and granted**

| Equivalency exemption applications assessed and granted | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Equivalency exemptions at NQF Level 4 (FETC: Real Estate) only | 34 | 51 |
| Equivalency exemption at NQF Level 5 (NC: Real Estate) only | 14 | 13 |
| Equivalency exemptions at both NQF Levels 4 (FETC: Real Estate) and NQF Level 5 (NC: Real Estate) | 464 | 381 |
| **TOTAL** | **512** | **445** |

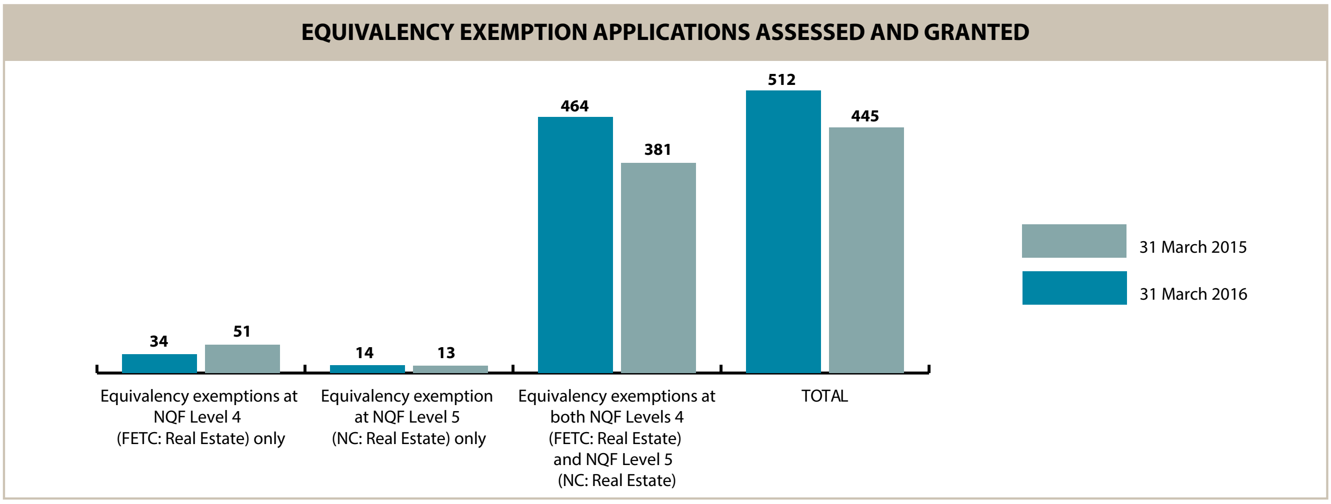



**Figure 9: Equivalency exemption applications assessed and granted**

**Age-based educational exemptions**

By resolution of the Board, adopted in 2011, all currently registered estate agents who have held a valid fidelity fund certificate for a period of at least five years, whether as a principal or non-principal estate agent, and who are 60 years of age, or older, may apply to the EAAB for the grant of an age-based exemption against the NQF Level 5 and/or NQF Level 4 real estate qualifications 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 prescribed naturally occurring evidence to the EAAB in justification of the application. Such evidence must be properly collected by the applicant and collated into an acceptable Portfolio of Evidence ("PoE") sufficient to enable the EAAB to assess the application and to consider the grant of an educational exemption to the applicant. Individual applicants are required, furthermore, to appear before an interview panel for the purpose of assessing whether they are fit and proper persons for the grant of such an exemption.

During the period under review a total of 309 age-based educational exemptions were considered and granted. This represents a 41% increase in the number of age-based educational of exemptions granted as compared to the same period in 2015.

**Table 8: Total age-basedexemptions granted**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| **Total age-based exemptions granted** | **309** | **127** |

**Study material for Estate Agents**

The EAAB, as the SAQA recognised professional body for the estate agency sector, has continued to further the mandate of providing acceptable study material to stakeholders and estate agents. The underlying objective is to ensure that the education and training experience is made interesting and meaningful to estate agents while, simultaneously, preparing them successfully to undertake the PDE.

*Study Guide for the Professional Practitioner in Real Estate*

To function effectively and successfully in the modern computerised and globalised business environment it is considered 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, in addition, be able not only to confront but also deal with the many obstacles while taking advantage of the possible benefits arising from the various developing opportunities which will doubtless arise in the course and scope of their daily estate agency activities and in their interactions with consumers.

The 'Study Guide for the Professional Practitioner in Real Estate' is intended to assist estate agents in meeting these diverse challenges. The study guide contains the prescribed study material for practicing non-principal estate agents wishing to write the PDE for non-principal estate agents ("PDE 4") after having been duly 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 **647** copies of the Study Guide were requested and dispatched by the EAAB to relevant stakeholders.

*Study Guide for the Master Practitioner in Real Estate*

The Study Guide for the Master Practitioner in Real Estate, which is published in two separate volumes, is aimed at meeting the generic management and educational needs of principal estate agents wishing to write the PDE 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 PDE 5 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-legal-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 **300** copies of the Study Guide were requested and dispatched by the Estate Agency Affairs Board to, relevant stakeholders.
Below is a table illustrating the number of study guides issued to stakeholders for the financial year under review.

**Table 9: Study materials issued**

| Study materials issued | 31 March 2016 | 31 March 2015 |
|---|---:|---:|
| PDE 4 Study Guides | 647 | 646 |
| PDE 5 Study Guides | 300 | 430 |
| **TOTAL** | **947** | **1 076** |

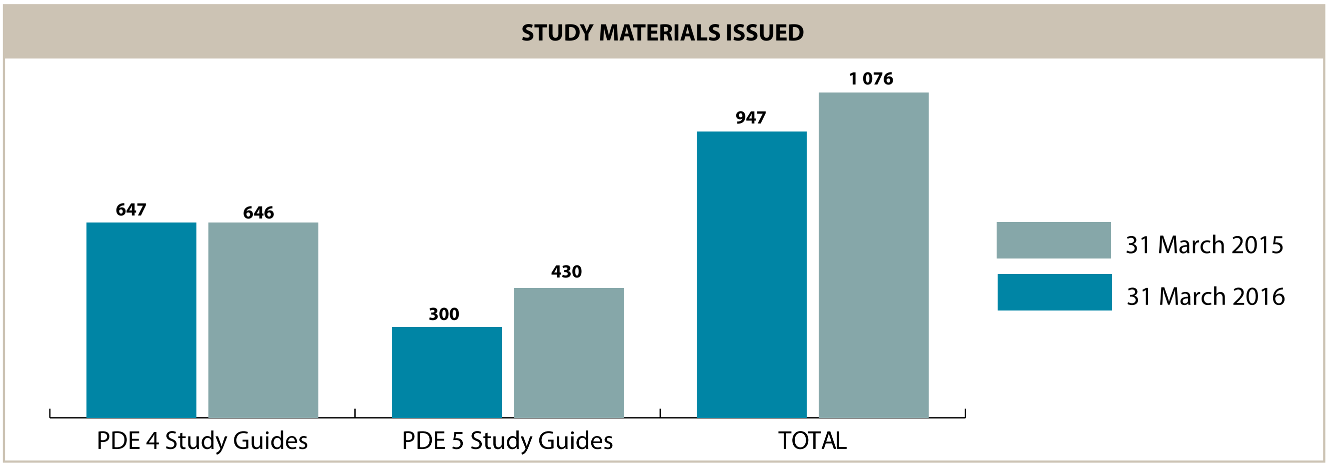



**Figure 10: Study materials issued**

**The Professional Designation Examination (PDE)**

In terms of regulation 4(3) of the Standard of Training of Estate Agents Regulations, 2008, ("the Education Regulations"), no person may be registered by the EAAB as a full status estate agent unless that person has also successfully completed the PDE conducted by the EAAB.

The PDE essentially represents the final test of an estate agent's ability practically to implement, integrate and apply the theoretical learning that has been achieved in both the classroom with the practical experiential learning that has been acquired 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 maybe, are required to write and pass the PDE.

During the period under review the EAAB successfully conducted four Professional Designation Examinations for both principal and non-principal estate agents (that is to say, the PDE 5 and the PDE 4) countrywide.

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

- Master Practitioner in Real Estate (MPRE) for principal estate agents; and
- Professional Practitioner in Real Estate (PPRE) for non-principal estate agents.

As compared to the financial year ended 31 March 2015 the pass rate for the current financial year has dropped from 76% to 73%.

The EAAB remains confident, however, that the implementation of a concerted Continuing Professional Development ("CPD") programme will ensure an improvement of professional levels among estate agents and increase the PDE pass rate.

The consolidated result of the four examination sessions held during the current financial year is as follows:

**Table 9: Professional Designation Examination conducted**

| **Professional Designation Examination conducted** | **31 March 2016** | | **31 March 2015** | |
|---|---|---|---|---|
| | **PDE 4** | **PDE 5** | **PDE 4** | **PDE 5** |
| Candidates who wrote the examination | 1 526 | 324 | 614 | 158 |
| Candidates who passed the examination | 1 121 | 235 | 467 | 113 |
| Candidates who failed the examination | 405 | 89 | 147 | 45 |
| **Pass rate** | **73%** | **73%** | **76%** | **71%** |

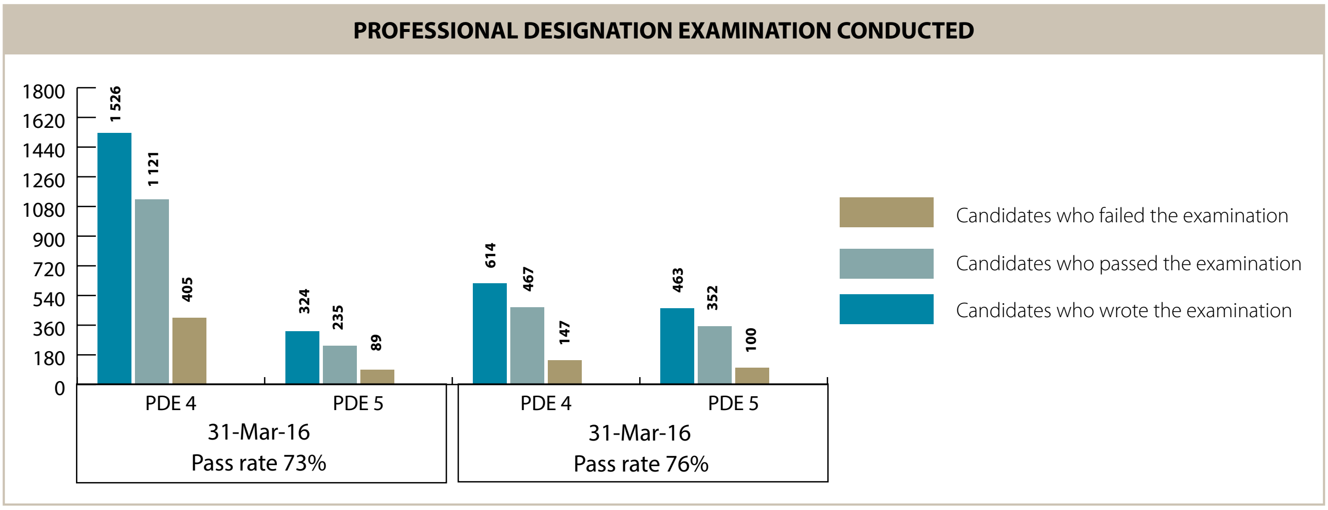



**Figure 11: Professional Designation Examination conducted**

**Exemption of estate agents from the Professional Designation Examination ("PDE")**

In terms of regulation 4(3) of the Education Regulations, estate agents who had been issued with a valid fidelity fund certificate during the period 2003 to 2008, inclusive, may apply to the EAAB for the grant of the statutory PDE exemption - which may be granted in accordance with the category of fidelity fund certificate held by the applicant during the relevant period. The grant of the statutory PDE exemption does not, however, entitle the applicant to an exemption against the NQF Level 5 and/or Level 4 real estate qualifications, nor are such applicants entitled to use the SAQA-registered professional designations awarded to persons who have successfully completed the PDE. It would seem that this latter fact has served as a primary inducement in encouraging many estate agents who, despite having been granted the statutory PDE exemption, nevertheless enrol for, and pass, the requisite PDE.

The EAAB granted a total of 303 statutory exemptions during the financial year ended 31 March 2016. This represents a 58% decline from the number of statutory exemptions granted for the financial year ended 31 March 2015. It is anticipated that the number of statutory PDE exemptions will continue to decline on an annual basis given the fact that most qualifying estate agents have already applied for, and been granted, the statutory PDE exemptions.

**Table 11: Statutory exemptions granted**

| Statutory exemptions granted | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Principal Estate Agent | 128 | 370 |
| Non- Principal Estate Agent | 175 | 350 |
| | **303** | **720** |

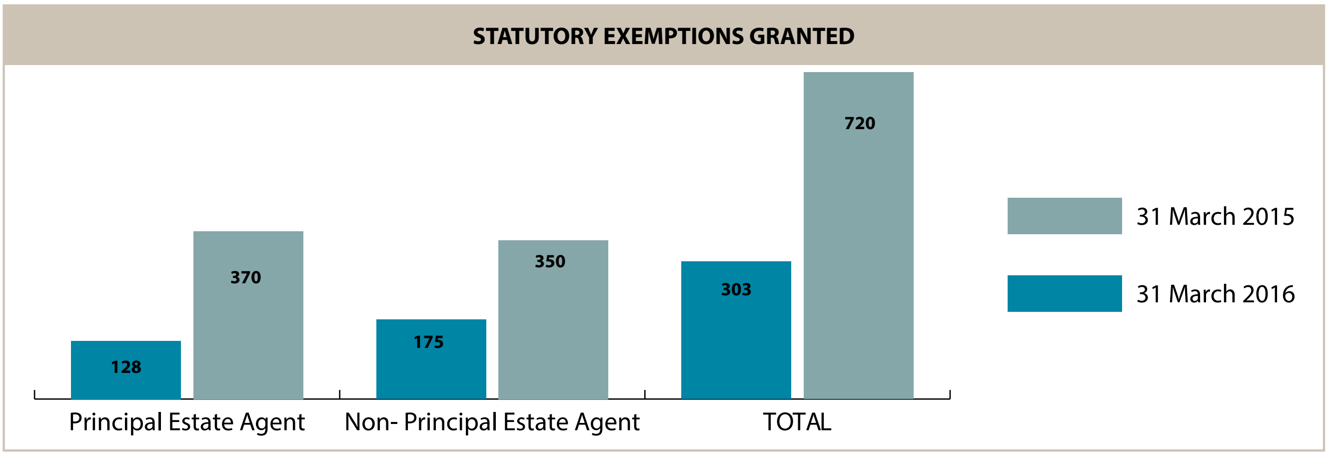



**Figure 12: Statutory exemptions granted**

**Status upgrade granted and the issue of amended fidelity fund certificates to qualifying estate agents**

In terms of regulation 4 of the Education Regulations estate agents who are registered as intern estate agents, as well as those who wish to upgrade their registration status from non-principal to principal estate agent, may be granted a status upgrade, and issued with an amended fidelity fund certificate, upon meeting the requisite educational requirements which include the completion of the twelve-month internship requirement and, also, the successful completion of both the prescribed qualifications for non-principal estate agents and the Professional Designation Examination at the appropriate level.

Below is an illustration of the number of estate agents who have successfully applied for, and issued with, amended fidelity fund certificates upon meeting the status upgrade requirements:

**Table 12: Status Upgrades granted**

| Status Upgrades granted | 31 March 2016 | 31 March 2015 |
|---|---|---|
| From Intern to Full Status Agent | 182 | 116 |
| From Full Status to Principal Estate Agent | 103 | 64 |
| **Total** | **285** | **180** |

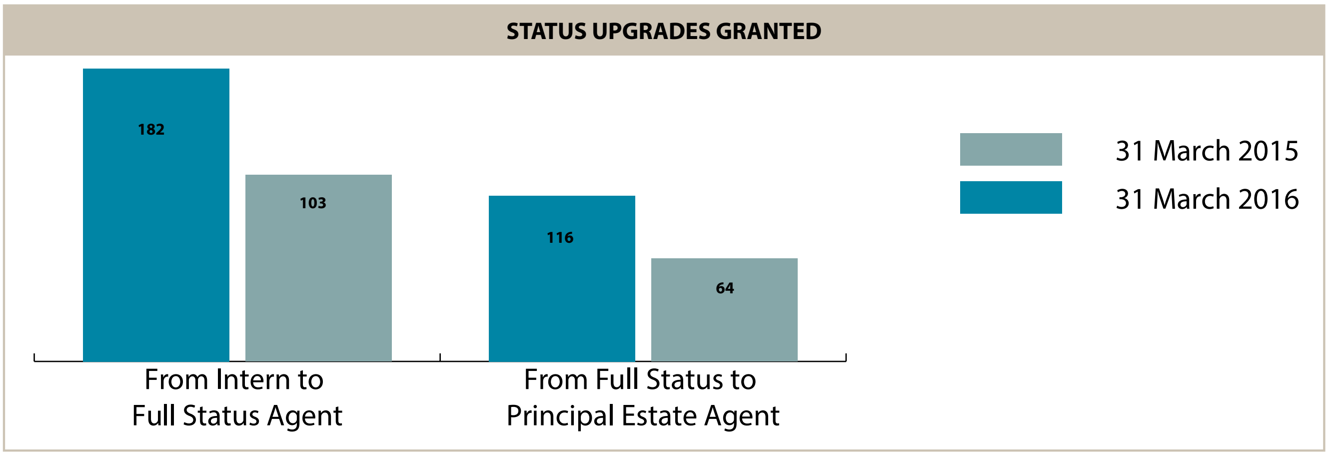



**Figure 13: Status Upgrades granted**

**Continuing Professional Development**

A continuing professional development ("CPD") requirement for estate agents was implemented by the EAAB 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 essential that members of the estate agency profession maintain their professional standing and status through undergoing the mandatory continuing professional education and development programme. CPD, in addition, enables estate agents to keep abreast of relevant sector and property trends and changes since these can, cumulatively and sequentially, have significant consequences on both the internal and external environments within which estate agents are required to operate.

Estate agents are required, in the first instance, to complete an online professional development plan ("PDP") and to pay the prescribed annual fee of R2 000 for non-principal estate agents and R2 500 for principal estate agents. Intern estate agents are required to complete CPD programme once they have reached full status estate agents.

During the year under review, a total of **17 368** estate agents were eligible to register for, and participate in, the CPD programme. Some 12 050 eligible participants, or 71% of the entitled cohort, registered for CPD purposes.

As the CPD programme is a three-year rolling programme, non-complaint estate agents will be afforded a "catch-up" opportunity in the ensuing years to ensure that they are indeed able to accumulate the required number of CPD points over the period in question.

**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 in the interest of the public. The secondary mandate is stipulated in the Financial Centre Intelligence Act which on 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 Department is also responsible for giving guidance and legal advice to consumers and estate agents on the provisions of the Estate Agency Affairs Board and for providing necessary guidance to complainant's regarding the correct forum to submit their complaints where the complaints fall outside of the jurisdiction of the EAAB. The various sources from which the Board receives complaints are as follows:

1. Post / Mail
2. Email
3. On-line
4. Fax
5. Walk-in clients
6. Whistle Blower reports
7. Inspections
8. Audit reports

The consumer awareness initiatives that the Board has undertaken through various means including community radio stations, has resulted in more and more consumers becoming aware of their rights and this is evidence from the nature of the complaints received as consumers seem to be aware of the provisions that have been transgressed by the estate agent. However, the need to reach more consumers and provide awareness regarding the importance of dealing with registered estate agents remains a challenge that the Board needs to continuously deal with.

**Table 13: Complaint Statistics**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Complaints received | 4 821 | 2 888 |
| Complaints investigated & finalized | 3 131 | 1 076 |
| No jurisdiction | 1 031 | 1 812 |
| Pending finalization | 659 | 736 |

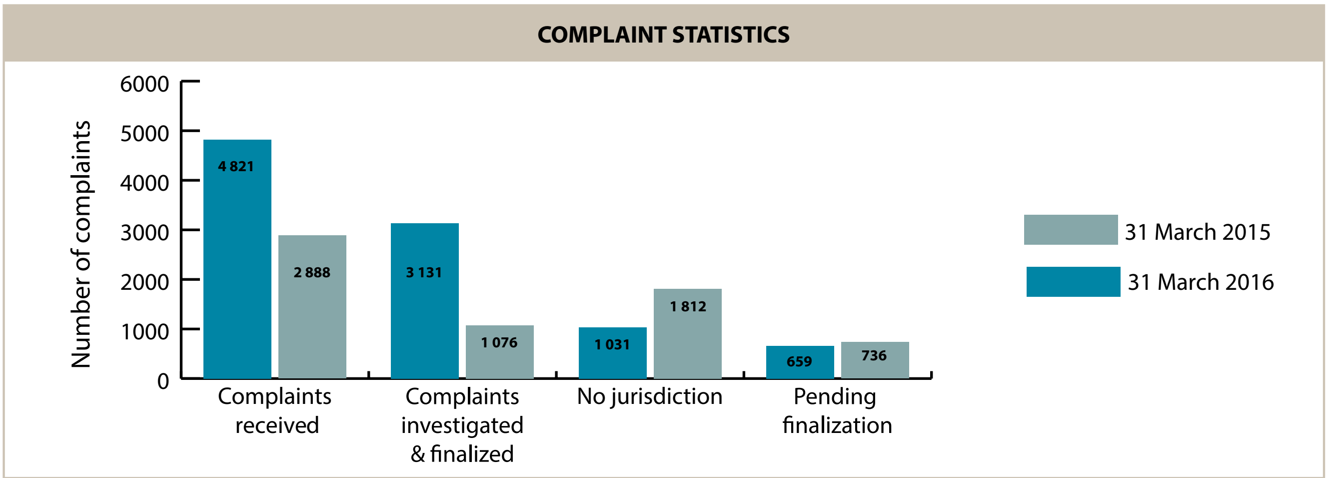



**Figure 14: Complaint statistics**

**Complaint statistics**

The department has intensified its efforts to resolve complaints through a process of mediation this has greatly assisted in the speedy resolution of complaints. The reasoning behind intensifying this process is because mediation has proven effective in reducing waiting periods for hearings and it has also offered a more efficient, cost-effective option to the disciplinary hearings.

Further the neutrality and more relaxed atmosphere of mediation may eliminate the desire to continue hostile relationship between the parties once both parties have seen all the issues in a fair light, and makes it possible for the parties to continue to have a business relationship.The decline in the number of cases enrolled has largely been due to increased compliance levels evidenced by the decline in the number of cases relating to the late submission of the audit reports. The challenge, however, remains the misappropriation of trust funds by estate agents in particular unregistered estate agents as well as failure on the part of estate agents to abide by the provisions of the code of conduct.

**Table 14: Disciplinary Hearings**

| Disciplinary Hearings | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Cases enrolled | 167 | 1 076 |
| Convictions | 67 | 1 072 |
| Acquittals | 23 | 4 |
| Postponed/ withdrawn | 32 | 0 |
| Appeals | 1 | 0 |

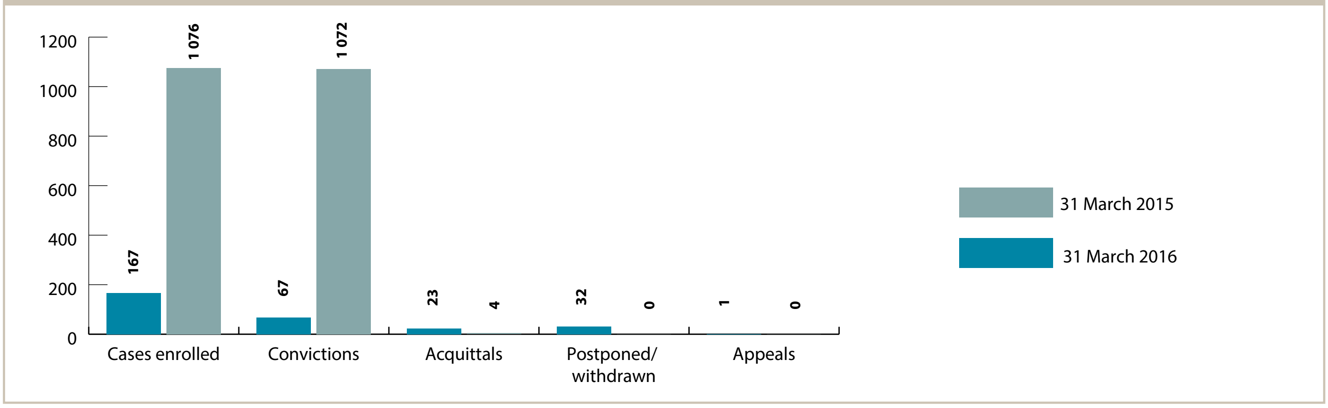



**Figure 15: Disciplinary Hearings**

**Whistle blower reports**

The Department continues to receive a large number of whistle blower reports from property consumers and estate agents. The information submitted is evaluated to determine whether the information offered may contribute to the prosecution of any agent. The problem encountered in successful prosecution of this reports is the fact that most complainants opt to remain anonymous thereby making it difficult to obtain further information from them. However, where complaints are lodged with sufficient details the matters will be taken through the normal investigations process and eventually a disciplinary hearing.

**Problems encountered in providing service**

Unregistered estate agents who continue to evade prosecution due to not being traceable remain a nightmare for the Department. It is difficult to trace unregistered estate agents once complaints are lodged against them. The lack of cooperation from the institutions and organisations such as SAPS in arresting perpetrators, NPA in prosecuting offenders and conveyancing attorneys who continue to pay 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 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 their claim has been successfully paid by the fidelity fund. The EAAB however remains 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 the Department, continues to revise and review the operating policies, processes and systems currently being used in order to ensure that they are up to date and create a 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.

**INSPECTIONS**

The Estate Agency Affairs Board has as one of its mandates the responsibility to regulate, maintain and promote the standard of conduct of estate agents having due regard to public interest. Section 32A of Estate Agency Affairs Act, 112 of 1976 (EAA Act), empowers the board to conduct inspections for the purposes of ascertaining compliances with the Act and its regulations as well ethical conduct and transgressions of the Act read with its regulations and code of conduct for estate agents.

The EAAB is also, as a regulatory body, responsible for the supervision and enforcement of compliance by estate agents with the provisions of Financial Intelligence Centre Act, 38 of 2001 (FICA) and its regulations.

- The EAAB also conducts joint inspections with the FIC in order to ensure the following:

- Protection of consumers and the general public;
- Compliance with mandate in terms of the EAA Act, 112 of 1976 and FICA, 38 OF 2001;
- Improve responsibility and accountability by estate agents;
- Curb illegal trading without Fidelity Fund Certificate (FFC) and money laundering and impose disciplinary sanctions;
- Maintain and improve relationships amongst the EAAB, FIC and estate agents;

- Programme of action for 2015/2016

The target for the financial year was set at 1 220 and the department managed to conduct 474 inspections from April 2015 to February 2016 thereby resulting in 39% of the target being reached. No inspections were conducted in March 2016 due to legislative reforms. Section 32A of the Estate Agency Affairs Act was declared unconstitutional by the Constitutional Court following a challenge by Auction Alliance (Pty) Ltd. The Constitutional Court postponed the declaration of unconstitutionality of section 32A until February 2016. Section 32A of the Act confers powers to the Estate Agency Affairs Board (EAAB) to conduct inspections in order to determine the level of compliance with the provisions of the Act. Consequently, when the declaration of unconstitutionality of section 32A came into effect, the EAAB will have no powers to conduct inspections in order to ensure compliance with the Act; this as a result could leave consumers unprotected from unscrupulous elements and the perpetuation of unlawful activities by estate agents and agencies.

To this end, the EAAB has developed a Compliance Monitoring and Assessment Framework ("the CMAF") to provide contingency measures that may be implemented to monitor and assess compliance with the provisions of the Acts during the period of unconstitutionality of section 32A of the Act.

As one of monitoring measures,the EAAB will be conducting **online self-assessment compliance review** to continue to monitor and promote the standard and level of compliance, the online self-assessment compliance reviews seek to enhance the EAAB monitoring processes and ensure effective professional support to estate agents. Self-assessment reviews were introduced at the inception of the 2016 / 2017 financial year (EAA Act, 112 of 1976 compliance).

Most estate agencies contravened the following EAA Act requirements:
- Trust account designation section 32 of the Act;
- Duty to keep accounting records in terms of section 29;
- Duty to comply with requirements of completion of documents (contracts) in terms of 34B;
- Education requirement in terms of section 27 (a)(vi);

Most estate agencies had challenges with meeting the following requirements:
- Completion of intern log books;
- Non-participation in Continuing Professional Development CPD
- NQF qualifications not completed;
- FIC Act non-compliance;

Most estate agencies did not comply with the following FICA requirements:
- Duty to develop and implement internal rules in terms of section 42;
- Duty to maintain business and transaction records in terms of section 22.

**Table 15: Total number of inspections conducted**

| | | 31 March 2016 | | 31 March 2015 | |
|---|---|---|---|---|---|
| | | **Total** | **Coverage** | **Total** | **Coverage** |
| 1 | Eastern Cape | 20 | 4% | 24 | 2% |
| 2 | Free State | 22 | 5% | 10 | 1% |
| 3 | Gauteng | 211 | 45% | 365 | 36% |
| 4 | KwaZulu Natal | 69 | 15% | 81 | 8% |
| 5 | Limpopo | 22 | 5% | 66 | 6% |
| 6 | Mpumalanga | 18 | 4% | 149 | 15% |
| 7 | North West | 13 | 3% | 84 | 8% |
| 8 | Northern Cape | 6 | 1% | 32 | 3% |
| 9 | Western Cape | 93 | 20% | 214 | 21% |
| | **TOTAL** | **474** | **100%** | **1 025** | **100%** |

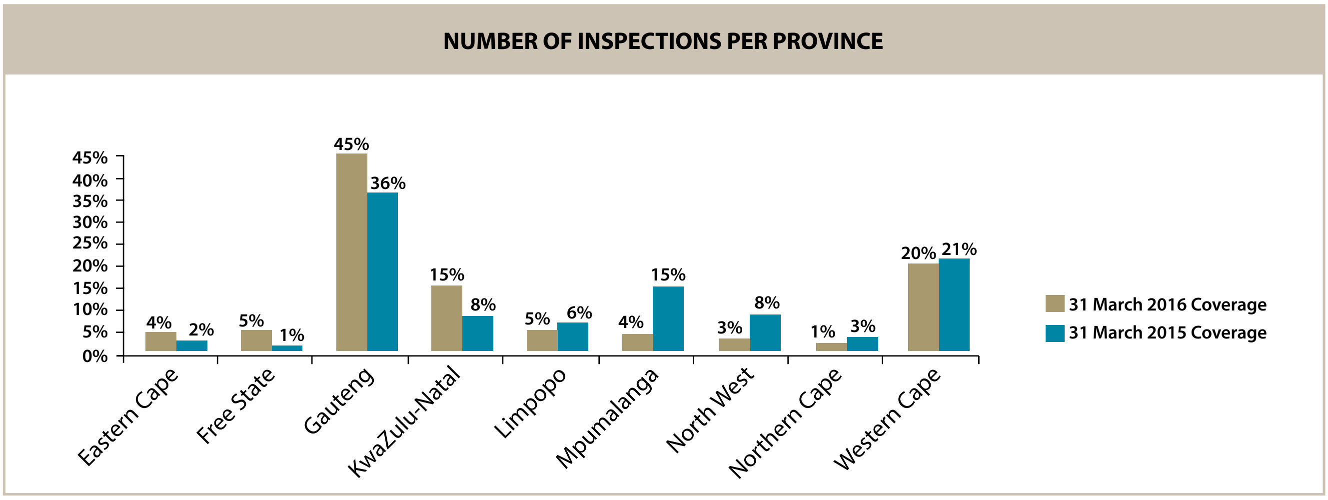



**Figure 16: Number of Inspections Per Province**

**Table 16: EAA Act 112, of 1976 Contraventions per province**

| | PROVINCE | S 26 – FFC | S 32(1) – Trust account(s) | S 32(2)(a) – Trust Investment account(s) | S 32(2) (c) - Interest on trust monies | S 32(2)(e) – Retention of trust monies | S 32(3) – Trust accounting records | S 32 (7) - Cessation of practice | S 29(b) – Audited accounting records | Contracts - regulation 4.1.2 | contracts - sole mandates | S 34A - Invalid FFC's & Remuneration | S 34B – Contracts sign off by interns | Not available for inspection | Unannounced Inspection - Supporting documents not submitted |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Eastern Cape | 10 | 7 | 1 | - | 1 | 3 | - | 3 | - | - | 2 | 11 | - | - |
| 2 | Free State | 9 | 12 | 3 | 1 | 1 | 6 | 2 | 7 | - | - | 6 | 9 | 1 | - |
| 3 | Gauteng | 50 | 107 | 28 | 8 | 7 | 52 | 2 | 50 | 1 | - | 9 | 57 | 4 | 4 |
| 4 | KwaZulu Natal | 11 | 22 | 3 | - | 1 | 13 | - | 11 | - | - | 3 | 12 | - | - |
| 5 | Limpopo | 9 | 17 | - | - | - | 9 | - | 7 | - | - | 2 | 9 | - | 1 |
| 6 | Mpumalanga | 7 | 10 | 4 | 2 | - | 7 | - | 4 | - | - | - | 3 | - | - |
| 7 | North West | 8 | 12 | 5 | - | - | 2 | 4 | 3 | - | - | 5 | 1 | 1 | - |
| 8 | Northern Cape | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 9 | Western Cape | 45 | 56 | 16 | 2 | 3 | 27 | 3 | 30 | 2 | - | 13 | 25 | 1 | - |
| | **TOTAL** | **149** | **243** | **60** | **13** | **13** | **119** | **11** | **115** | **3** | **-** | **40** | **127** | **7** | **5** |

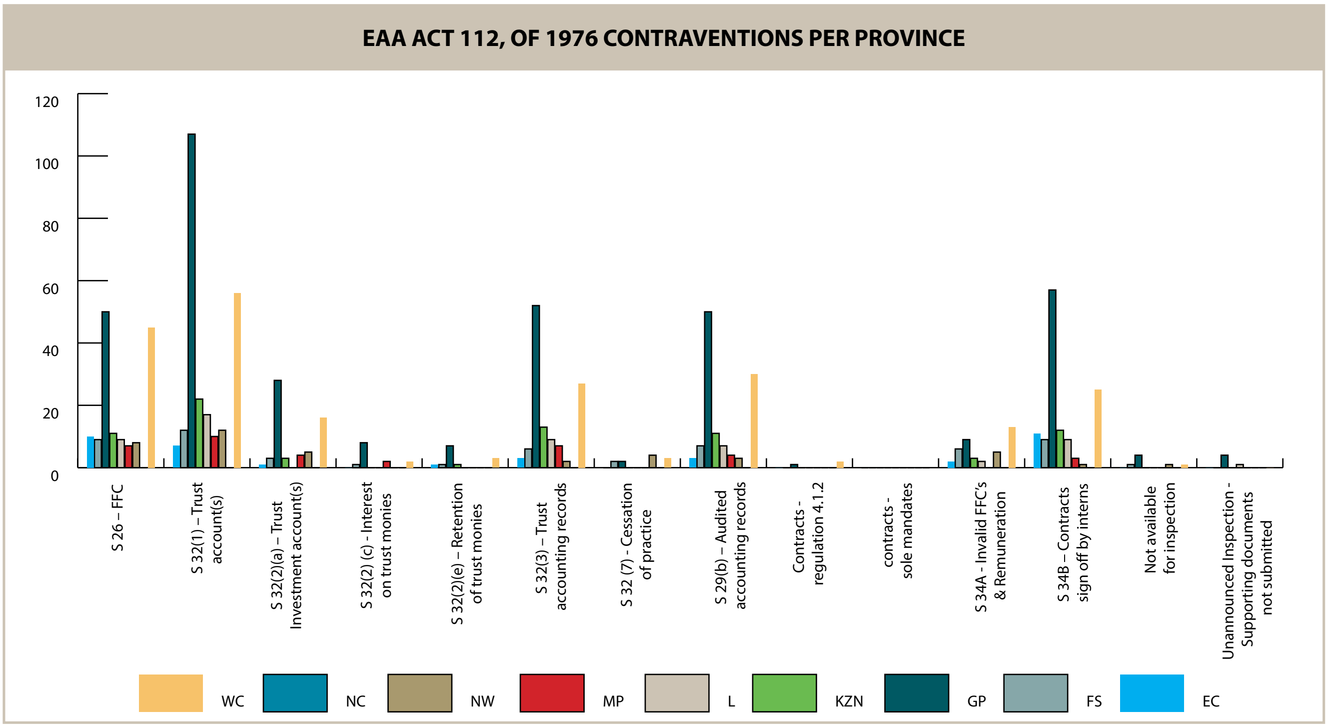



**Figure 17: EAA Act 112, of 1976 Contraventions per province**

**Table 17: Regulation 4 Contraventions (Educational requirements) per province**

| | PROVINCE | NQF 4 | NQF 5 | PDE | CPD | LOG BOOK |
|---|---|---|---|---|---|---|
| 1 | Eastern Cape | 1 | 2 | 0 | 1 | 2 |
| 2 | Free State | 4 | 4 | 6 | 10 | 4 |
| 3 | Gauteng | 49 | 17 | 31 | 65 | 50 |
| 4 | KwaZulu Natal | 10 | 2 | 4 | 11 | 8 |
| 5 | Limpopo | 9 | 0 | 2 | 10 | 10 |
| 6 | Mpumalanga | 7 | 0 | 2 | 8 | 7 |
| 7 | North West | 0 | 0 | 0 | 5 | 4 |
| 8 | Northern Cape | 0 | 0 | 0 | 0 | 0 |
| 9 | Western Cape | 15 | 6 | 2 | 25 | 24 |
| | **TOTAL** | **95** | **31** | **47** | **135** | **109** |

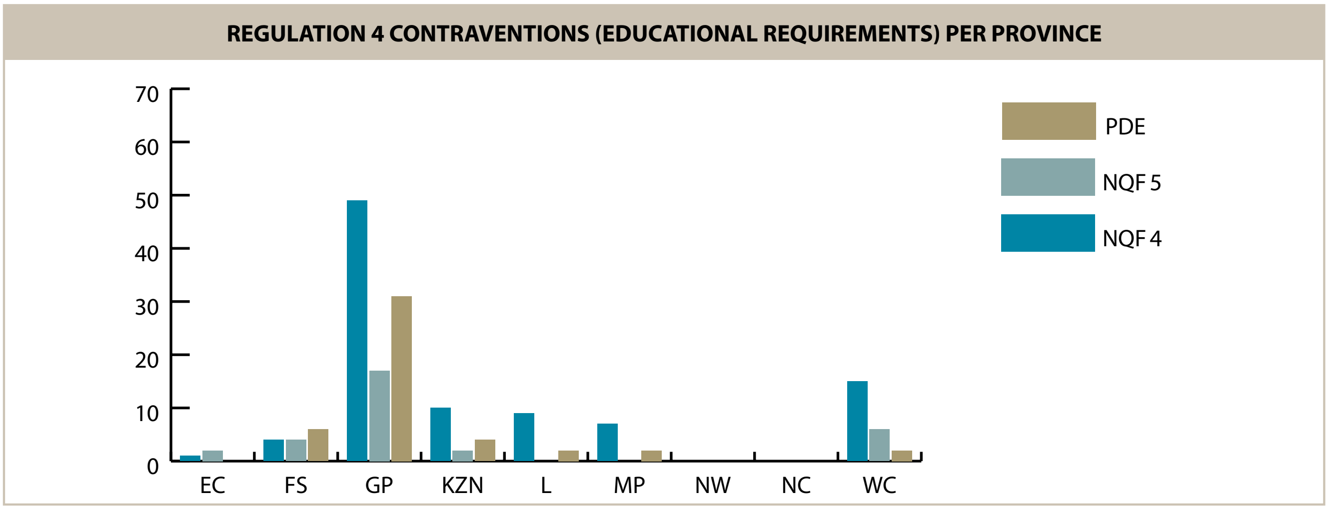



**Figure 18: Regulation 4 Contraventions (Educational requirements) per province**

**Table 18: FIC Act 38, of 2001 Contraventions per province**

| | PROVINCE | S 43B & Reg 27A - Registration | S 43(b) - Duty to appoint a compliance officer | S 21 Duty to identify clients | S 22 - Duty to keep records | S 23 - Period for which records are kept | S 24 & Reg 20 - Records kept by third party | S 28 Regs 22B, 22C & 24 - Cash transaction above threshold R25 000 | S 29 & Regs 23 & 24 - Suspicious and unusual transactions | S 42 & Regs 25,26&27 - Internal rules |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Eastern Cape | 5 | 0 | 0 | 17 | 1 | 0 | 0 | 0 | 9 |
| 2 | Free State | 4 | 5 | 1 | 10 | 2 | 1 | 1 | 2 | 9 |
| 3 | Gauteng | 45 | 47 | 20 | 66 | 10 | 3 | 5 | 16 | 110 |
| 4 | KwaZulu Natal | 9 | 6 | 1 | 15 | 1 | 0 | 0 | 1 | 14 |
| 5 | Limpopo | 9 | 9 | 1 | 14 | 5 | 0 | 1 | 0 | 13 |
| 6 | Mpumalanga | 5 | 9 | 2 | 5 | 0 | 0 | 0 | 0 | 11 |
| 7 | North West | 6 | 2 | 1 | 7 | 0 | 0 | 0 | 0 | 8 |
| 8 | Northern Cape | 1 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| 9 | Western Cape | 35 | 30 | 4 | 47 | 2 | 0 | 0 | 7 | 63 |
| | **TOTAL** | **119** | **108** | **30** | **182** | **21** | **4** | **7** | **26** | **237** |

## FIC ACT 38, OF 2001 CONTRAVENTIONS PER PROVINCE

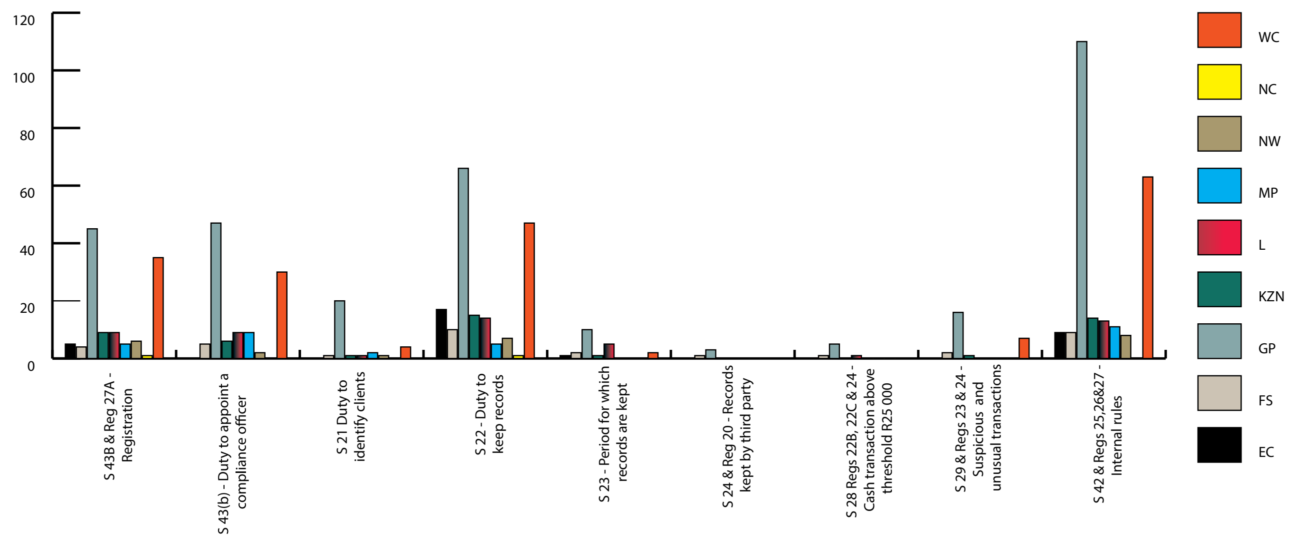



**Figure 19: FIC Act 38, of 2001 Contraventions per province**

**AUDIT COMPLIANCE**

**Improvement in compliance levels relating to submission of audit reports**

The measures implemented by EAAB in 2013 to enforce compliance with the legislated audit requirements by disqualifying non-compliant estate agencies has yielded results and increased compliance levels were noted in the 2015/2016 financial year, as indicated below:

**Table 19: Audit reports received within the prescribed timeframe versus outside prescribed timeframe**

| | 31 March 2016 | 31 March 2015 | 31 March 2014 | 31 March 2013 |
|---|---|---|---|---|
| Compliance with audit requirements | 85% | 90% | 51% | 29% |
| Non-compliance with audit requirements | 15% | 10% | 49% | 71% |

**AUDIT REPORTS RECEIVED WITHIN THE PRESCRIBED TIMEFRAME VERSUS OUTSIDE PRESCRIBED TIMEFRAME**

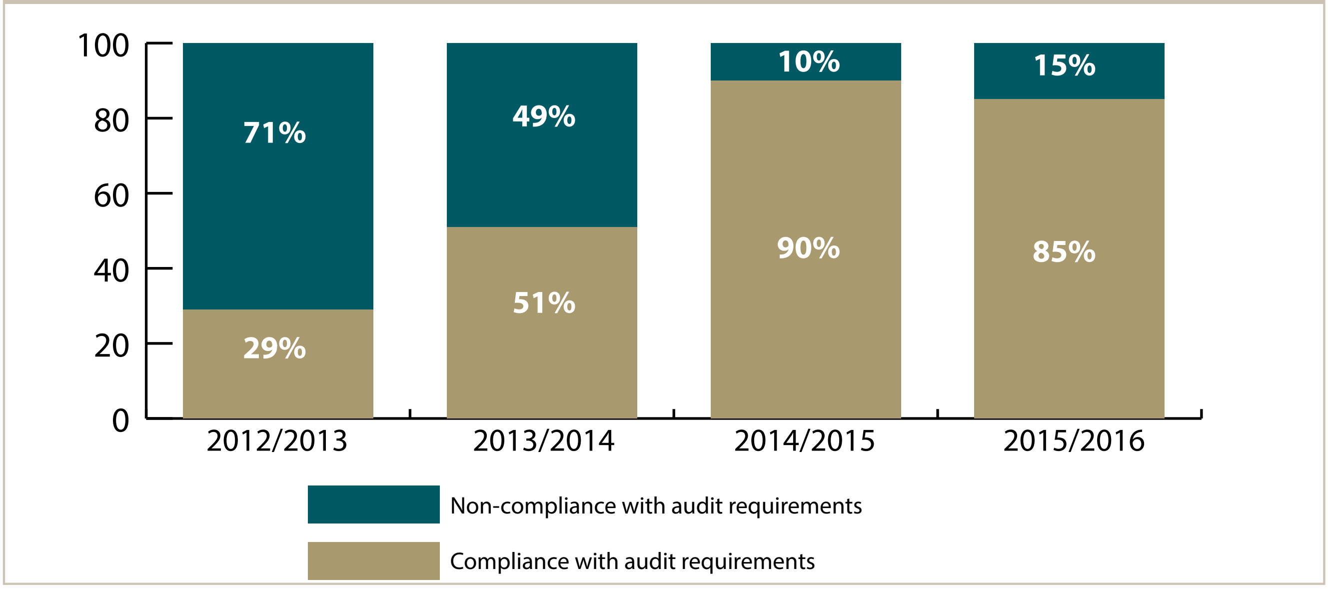



**Figure 20: Audit reports received within the prescribed timeframe versus outside prescribed timeframe**

During the financial year ended 31 March 2016, a total of 8 514 audit reports were received and these comprised of 16 for the 2016 financial years, 6 396 for the 2015 financial year, 2 077 for the financial years prior to 2015 relating to estate agencies who were regularizing their registration status by submitting the outstanding audit reports. The table below indicates that the audit report received in the 2015/2016 financial year decreased from those received in 2014/2015. The high number of audit reports received in the previous financial year was from estate agencies who were previously disqualified in the 2012/2013 and 2013/2014 financial years and were regularising their registration status by submitting the outstanding audit reports.

**Table 20: Audit reports in the 2015/16 financial year**

| | 31 March 2016 | 31 March 2015 |
|---|---|---|
| Audit reports received | 8 514 | 12 077 |

**AUDIT REPORTS IN THE 2015/16 FINANCIAL YEAR**

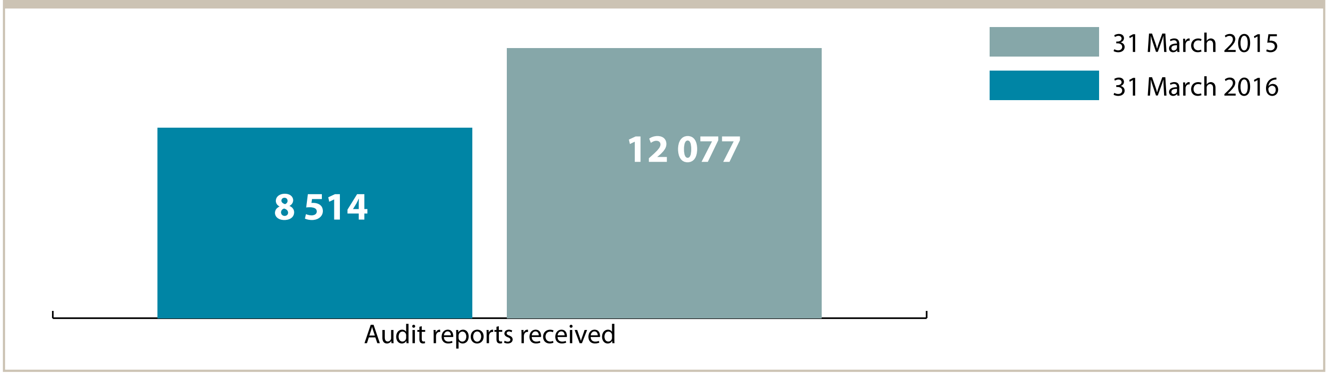



**Figure 20: Audit reports in the 2015/16 financial year**

**MyEAAB Auditors Portal**

The MyEAAB Auditors Portal, a web-based audit report submission portal that can be accessed on the EAAB website, has tremendously improved the efficiency and effectiveness of the audit report submission and verification process.

The MyEAAB Auditors Portal enables the auditors of estate agent firms to register and complete and submit the online audit report on behalf of the estate agent firm. This is in compliance with section 32(4) of the Estate Agency Affairs Act which requires the auditor, to transmit to EAAB, the audit report after the completing the audit. The MyEAAB Auditors Portal is integrated with EAAB's system and audit reports submitted via the portal are in real time uploaded on EAAB's main system.

**Enhancements to the MyEAAB Auditors Portal**

The following enhancements to the MyEAAB Auditors Portal became effective on 4 November 2015:

- Auditors of estate agents who were registered on the Portal before 4 November 2015 will be requested to update the information of the individual designated registered auditor when they log-in again on the Portal. This information of the individual auditor will be validated against the register of auditors maintained by the Independent Regulatory Board of Auditors (IRBA) before the update of information can be successful.
- The landing page of the Portal has been revamped and auditors of estate agents are now able to specifically access information, including answers to frequently asked questions, that is of relevance to audits of estate agents and use of the Portal. New information of relevance to auditors will be added to this Portal as and when it is available.
- Auditors of estate agents can now open, save and print the submitted audit report of their estate agency by using the "View Audit Report Summary" functionality.
- Auditors of estate agents can now select the appropriate status of the trust accounts linked to the estate agent and add new trust accounts that were audited but are not linked to the estate agent.
- The confirmation of successful submission at the end of the submission process, as well as the email confirmation sent to the auditor and the principal(s) of the estate agency firm, has been enhanced to indicate the name of the estate agency, the financial year, the name of the auditor and the date and time of submission.

**Verification of submitted audit reports**

The most important enhancement to the MyEAAB Agents Portal that directly affects principals of estate agency firms is the automated generation of the ***Preliminary Verification of Audit Report Letter*** emailed to the principal(s) of the estate agency firm in real time after online submission of audit report.

The following non-compliance issues which can be raised by the auditor during the online submission of an audit report will automatically result in additional information being requested from the principal(s) through a ***Preliminary Verification of Audit Report Letter*** that will be sent at the same time that the email confirmation of submission is sent out:

- Contraventions of section 32(1), 32(2) and 32(3) of the Estate Agency Affairs Act;
- Qualified, adverse or disclaimer of opinion;
- Incorrect Financial Intelligence Centre (FIC) registration number;
- Contravention of section 28 of the Financial Intelligence Centre Act;
- Interest on trust funds not agreeing to accounting records; and
- Trust bank accounts closed, not audited or opened during the financial year.

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

A number of estate agencies are still being disqualified from being issued with a Fidelity Fund Certificate as a result of failing to submit the audit report within the prescribed four months after the financial year end.

A number of these estate agent firms are currently in the process of applying for the removal of the disqualifications by submitting the outstanding audit reports and paying the applicable penalties and fines.

**Non-compliance 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.

**Types of non-compliance matters in audit reports**

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

- Trading illegally without a Fidelity Fund Certificate in contravention of section 26 of the Estate Agency Affairs Act;
- Not submitting audit report to EAAB within 4 months in contravention of section 29(b) of the Estate Agency Affairs Act;
- Operating without a trust account in contravention of sections 32(1) and 32(2) of the Estate Agency Affairs Act;
- Not balancing trust accounting records monthly in contravention of section 32(3)(b) of the Estate Agency Affairs Act;
- Not keeping separate accounting records in contravention of section 32(3)(a) of the Estate Agency Affairs Act;
- Not administering the trust account in the prescribed manner (deficits or surplus) in contravention of section 32(3)(c) of the Estate Agency Affairs Act;
- Not registering as an accountable institution with Financial Intelligence Centre;
- Not reporting unusual and suspicious transactions to Financial Intelligence Centre;
- Not reporting cash transactions above R25 000 to Financial Intelligence Centre.
- Bank account details for the trust account different from those registered on the EAAB system;
- Business audits not conducted;
- Accounting framework not indicated;
- IT3b certificates reflecting interest earned on trust accounts not provided;
- Audit opinion not expressed; and
- Trust account details not provided.

## CLAIMS AND SECTION 27 APPLICATIONS

### Claims

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.

**Table 21: Statistics of new claims against the fund**

| STATISTICS OF NEW CLAIMS AGAINST THE FUND | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|
| Number of claims received | 282 | 53 | 60 | 67 | 225 |

**STATISTICS OF NEW CLAIMS AGAINST THE FUND**

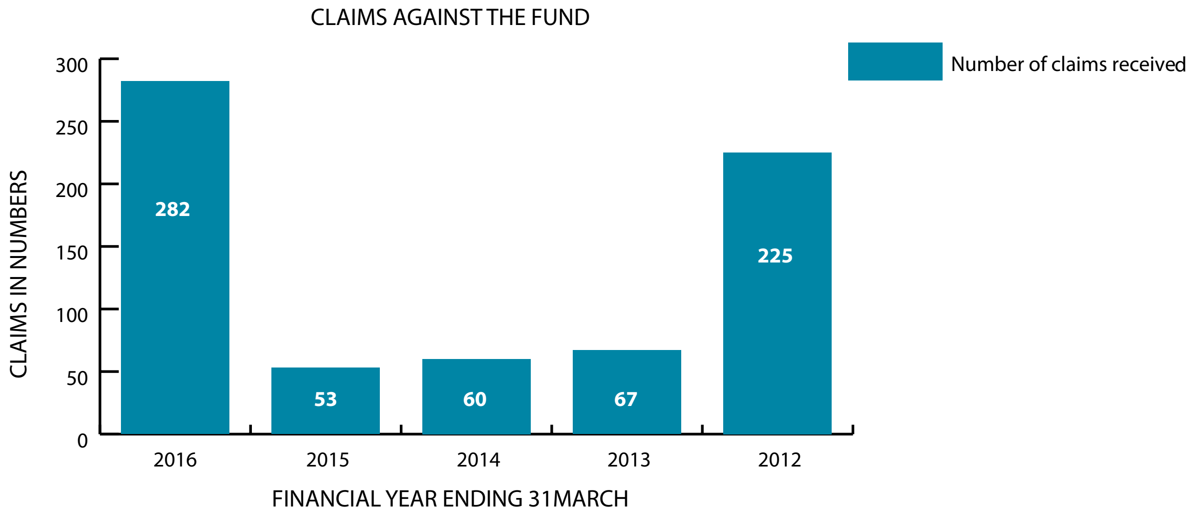



**Figure 22: Statistics of new claims against the fund**

Claims processed against the fidelity fund for the period 2015/2016.

**Table 22: Claims at rand value**

| Claims Statistics (Rand) | 31-Mar-16 | 31-Mar-15 | 31-Mar-14 | 31-Mar-13 | 31-Mar-12 |
|---|---|---|---|---|---|
| Value of claims lodged | **20 564 502** | 5 947 783 | 10 447 320 | 2 352 209 | 10 461 075 |
| Value of claims approved | **7 249 818** | 3 516 964 | 4 866 526 | 288 600 | 3 849 910 |
| Value of claims rejected | **197 349** | 2 151 043 | 4 077 829 | 389 004 | 2 588 299 |
| Value of claims pending | **13 117 335** | 870 728 | 2 049 284 | 1 674 605 | 4 022 935 |

CLAIMS AT RAND VALUE

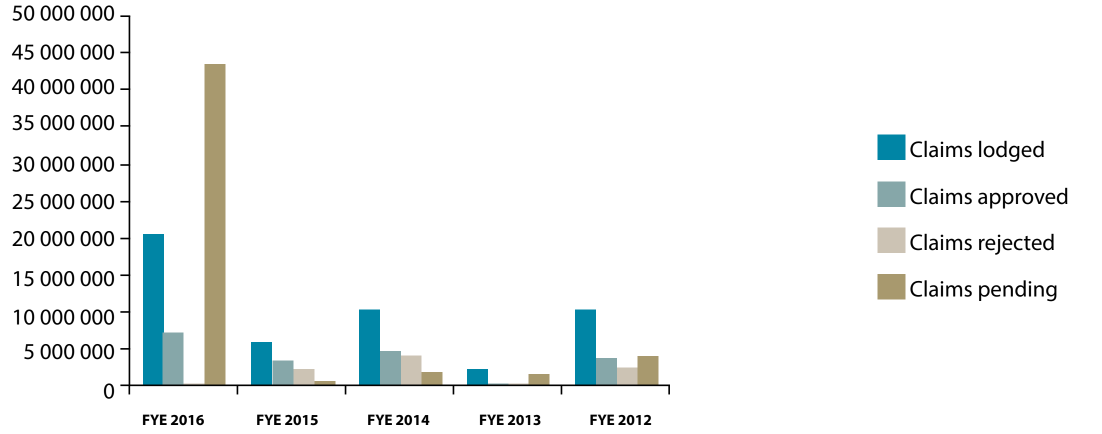



**Figure 23: Claims at rand value**

The total number of claims considered by the Board during the year were 137. The total rand value of **R7 249 818,** plus interest in the amount of **R691 097,** was approved and paid to property consumers who had suffered loss at the hands of unscrupulous estate agents, in fulfillment of EAAB's consumer protection mandate. Rand value of the claims received by the board has almost doubled and this can be attributed to the large number of high value claims received from body corporate in respect of monies misappropriated by sectional title managing agents. The large number of pending claims is directly due to the protracted litigation in matters such as the high profile CSTM liquidation, the necessity of appointing curators through high court applications in claims arising from sectional title management, and the protracted investigation and payment of claims by liquidators and curators Since the fidelity fund assumes only residual liability, these claims cannot be considered until those processes are finalised.

## SECTION 27 APPLICATIONS

Section 27 of the Estate Agency Affairs Act provides for disqualification of estate agents under certain circumstances. It also provides 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 person will be in the interest of justice, the board may issue, on such conditions as the board may determine, a fidelity fund certificate to such person when he or she applies therefor.

**Table 23: FORMAL APPLICATIONS BY PERSONS IN TERMS OF SECTION 27**

| NO | DESCRIPTION | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|---|
| 1 | Applications Received | 21 | 22 | 10 | 11 | 32 |
| 2 | Applications Approved | 20 | 22 | 10 | 11 | 29 |
| 3 | Applications Rejected | 1 | 0 | 0 | 0 | 3 |

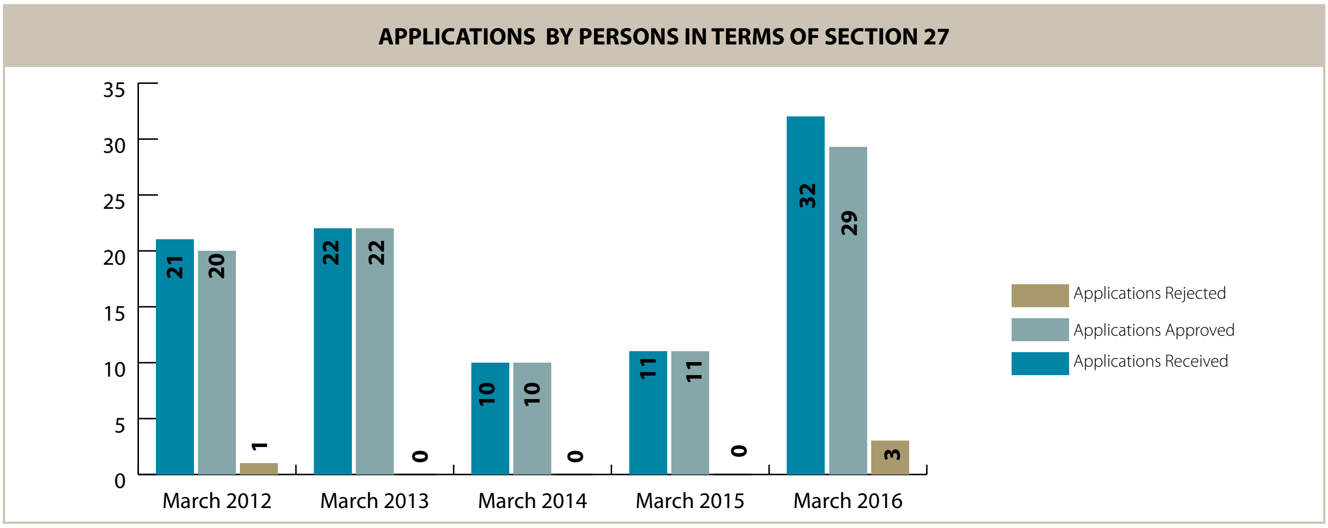



**Figure 24: APPLICATIONS BY PERSONS IN TERMS OF SECTION 27**

**Table 24: APPLICATIONS BY PERSONS DISQUALIFIED IN TERMS OF SECTION 27 FOR LATE SUBMISSION OF AUDIT REPORTS**

| NO. | DESCRIPTION | 2014 | 2015 | 2016 |
|---|---|---|---|---|
| 1 | Applications Received | 1 718 | 11 200 | 5 463 |
| 2 | Applications Approved | 570 | 8 974 | 3 000 |
| 3 | Applications Rejected | 1 512 | 2 226 | 2 463 |

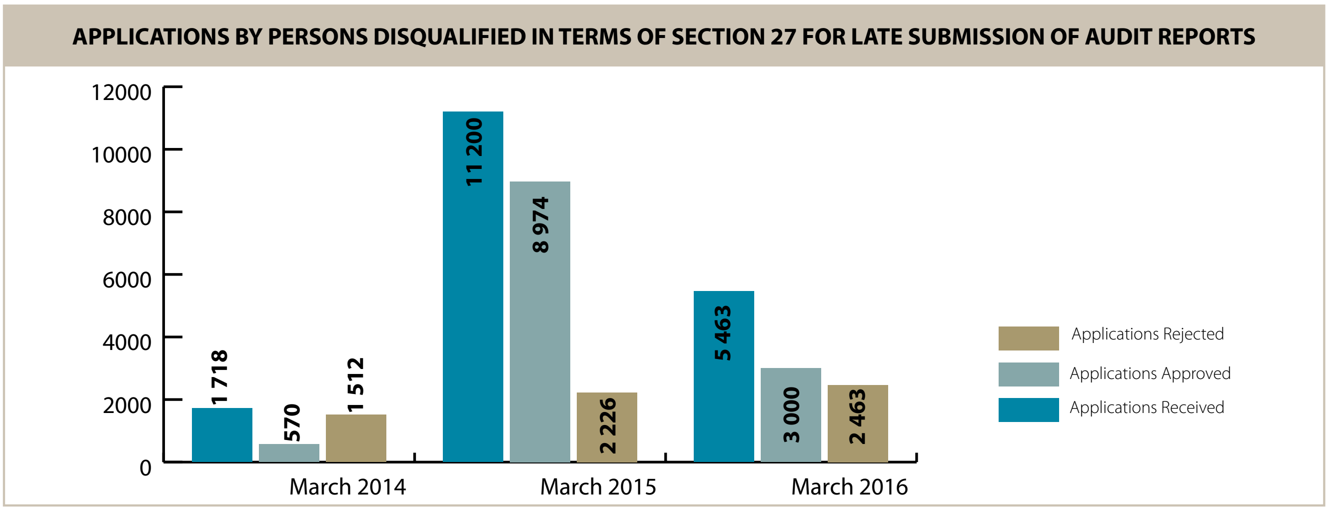



**Figure 25: APPLICATIONS BY PERSONS DISQUALIFIED IN TERMS OF SECTION 27 FOR LATE SUBMISSION OF AUDIT REPORTS**

The decrease in the number of s27 applications is attributable to the lessons learned by agents from the previous year when agents were disqualified from receiving FFCs and fines in terms of the board resolution were paid for non-compliance with audit requirements. Agents were more diligent in submitting audit reports correctly and on time.

### TITLE DEEDS RESTORATION PROJECT

Since the inception of the Title Restoration Project, more than 117,000 title deeds have been issued to rightful owners; this represents around 14% of the known backlog.

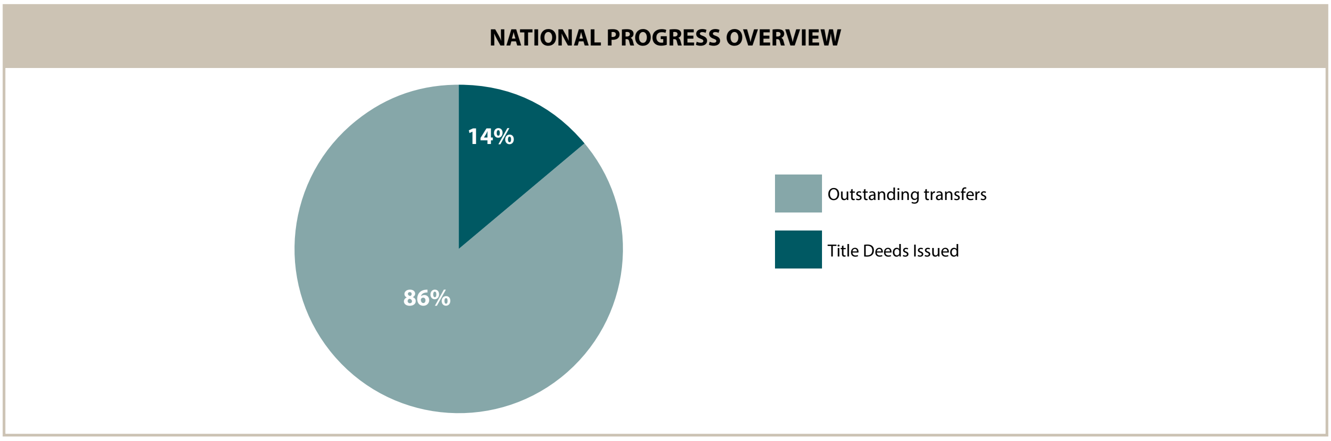



**Figure 25: National Progress Overview**

**Table 25: National Progress Overview**

| | BACKLOG | 2014/15 | 2015/16 | TOTAL |
|---|---|---|---|---|
| Pre. '94 | 83,628 | 7,300 | 7,070 | 14,370 |
| Post '94 | 734,429 | 49,760 | 52,968 | 102,746 |
| **TOTAL** | **818,057** | **57,060** | **60,056** | **117,116** |

Notwithstanding recent successes, the registration backlog remains substantial. To this end, the Department has set itself the target of issuing 203,000 title deeds for the coming year. Moreover, R306 million of the Human Settlements Development Grant has been ring-fenced in order to ensure that this target is attained in 2016/17. Significantly, the project is to be fast-tracked in Gauteng and the North West, where the intention is to eradicate the backlog of all Pre-'94 stock by the close of the coming financial year.

Along with the Department, the Estate Agency Affairs Board has also committed itself to the Title Restoration Project by making the necessary project management support available to the project. A National Steering Committee, comprising key stakeholders has already been constituted, and report regularly to the Human Settlements MinMec on progress being made. Furthermore, key appointments have been made across the country to augment the skillsets and capacity already in place; this done, in order to ensure the project objective of the eradication of the title registration backlog.

While the above demonstrates significant inroads in dealing with the registration backlog, the Title Restoration Project is not seen as an end in itself, but as a means to achieving a number of further ends. This project is viewed as a significant contributor to government's Poverty Alleviation Programme. Among others, it:

- Maximises the Human Settlements Programme's impact by creating assets and allowing people to build the value of their assets over time;
- Potentially opens up more personal investment to residents thereby physically transforming housing into homes, and townships into neighborhoods;
- Gives households their first entry into the property market, which can lead to improved housing conditions over generations as individuals and households trade up in the housing ladder;
- Creates more active citizens, as envisaged in the National Development Plan; and
- Improves the viability of municipalities by creating a property rates base in the long term.

In addition to the above, there are decided gains to be had for the Estate Agency Affairs Board (EAAB). Through the success of the Title Restoration Project, this initiative will serve as a catalyst in expanding and transforming the Real Estate Sector by:

Firstly, giving estate agents access to "Dead Capital" currently located in the 'Township' and 'Secondary' Markets; and
Secondly, affording registered estate agents, an opportunity to service those who are new to the residential property market.

It should also be borne in mind that formal property transactions forms one of the key indicators toward measuring the National Gross Domestic Product (GDP). The high level of informal transactions and the registration backlog severely undermines the ability to accurately reflect on the national GDP.

Meaningful partnerships with both the public and private sector have proven to be vital to the success of the Title Restoration Project. In this regard, a collaborative engagement has been initiated with the Office of the Surveyor-General and the Department of Public Works to resolve the land-legal matters in instances where houses have been built under the Human Settlements Programme, but where the land still resides in the name of the State.

## TRANSACTIONAL SUPPORT

Affordable housing markets are often perceived as weak and risky, but when compared to the entire housing market, the affordable market has in the last seven years been out-performing the top end of the market. The affordable housing market presents major opportunities in terms of untapped equity, and for including more people into the formal housing market.

For real estate agents to access this untapped opportunity within the affordable housing market ('Dead Capital') and ensure that lower income households are able to enter the housing market, the Estate Agency Affairs Board (EAAB) has established an initiative to provide transactional support for, in particular, buyers and sellers in the affordable and subsidized housing market. To this end, the EAAB has taken steps to ensure that it takes strategic-level actions to ensure that transactional support becomes a reality for the many people engaging in transactions at the lower end of the market.

More broadly, creating better public access to market transaction information in the residential sector is key to avoiding market information asymmetries, which tend to be particularly marked when moving into an under-developed market segment. Similarly there should be an overall focus on reducing transaction costs to improve access and affordability. The role of the EAAB within the affordable housing market would be to contribute to creating an enabling environment for transacting within this sub-market by providing strategic transactional support.

The following key components of transactional support have been identified and proposed:

- **Access to market information, trends and analysis**
  For the public to make informed property decisions, for professionals to make calculated valuations and generate reports to advise clients, and for the EAAB to report to government on trends in the property market;

- **Regulatory consumer support**
  To empower consumers on regulatory and legal aspects and procedures of the transaction process and other processes that run parallel to it;

- **Real estate agent support and education**
  To educate real estate agents and to enhance understanding of the affordable property market so that they will be better able to provide transactional support within this market where there is a larger proportion of first-time home owners.

- **Consumer awareness and education**
  To educate and inform consumers at the lower end of the market and to enable them to effectively function within the market and to make use of its mechanisms;

# INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

# INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

**Introduction**

Human Capital is undeniably the most valuable asset to any organisation. In order for the EAAB to succeed and possibly acquire the much sought after status of a world class regulator it is critical for the EAAB to be resourced with talented, skilled and passionate workforce. For the EAAB to become a more people-centred organisation, its focus is on fostering healthy and mutually beneficial relationships with its employees whilst also providing a conducive working environment.

**Skills Development**

EAAB remains committed to promoting a learning culture which enables employees to develop and grow to reach their full potential. EAAB spent R1 490 250 on learning activities in 2016.

**PIVOTAL Training:** In support of the EAAB's commitment to promoting a culture of learning more than R900 000 was invested by EAAB to assist 28 employees to further their education during the 2015/2016 financial year.

**Skills Programme:** 87 employees were provided an opportunity to develop their skills through various training programmes that they attended. The number has increased significantly from the previous years.

**Talent Management**

**Recruitment:** Attracting top talent remained a key driver of the human resources agenda in 2015. Appointments at various occupational levels were made, in line with the organizational goal of meeting the Human Resources and employment equity plan. External secondment opportunities were offered to ensure greater exposure and developmental progress for the seconded employees.

**Performance Management**

The performance management process is integral to EAAB's culture and a prerequisite for sustainable performance. For the 2015/2016 year-end process more than 82% of employees' in scope completed a performance review.

**Job evaluations and grading**

Job evaluations assist with determining what positions and job responsibilities are similar for purposes of pay, promotions, lateral moves, and other internal parity issues. It is important that employees perceive the EAAB as fair, equitable, and the provider of equal opportunities for employees. The EAAB is in a process of conducting job profile reviews, evaluating and grading all positions to ensure that the organization is consistent and properly positioned in order to motivate and sustain employees and overall organizational performance, when compared with the external market.

**Succession Planning**

The Estate Agency Affairs Board acknowledges that Succession Management is critical for the organisation's success as part of the Disaster Recovery Plan. To ensure continuity in the organisation the EAAB realised the need for this programme, and embarked on an approach to implement the programme in line with the EAAB Succession Policy.

**Policy reviews**

The EAAB endeavours to constantly ensure best practice in terms of policies application and practices. Upon consultation with relevant role players, 2 new policies were developed and approved by the board members for implementation in the year 2016, below are the newly formulated policies:

- Secondment policy
- Relocation policy:

Various policies were reviewed and approved, i.e. Travel and Cellphone Allowance Policy. This has shown progress towards the organization's commitment towards alignment to external Human Resource best practice and continuous relationship building with the internal stakeholders.

**Internship Programme**

The EAAB provided 12 months of experiential learning and on the job training opportunities to 20 graduates in 2016. The Internship Programme proved to be a great success, with some interns gaining experiential training from more than one department as well as being appointed on a permanent basis. Their overall improvement proved to be well worth the time and effort invested in their training and development. It was a mutually beneficial and productive exercise resulting in very positive outcomes.

**Employee Wellness Programme (EWP)**

The EAAB had committed itself to addressing the wellness of employees within the context of issues affecting the employee to enhance and sustain the quality of life. The Estate Agency Affairs Board launched a new Employee Wellness Programme in 2016. The Programme aims to improve the psychological health of employees and assists them in developing coping skills and accepting a greater degree of professional and personal responsibility. It further assist the employees with resolving individual, marital, family and job performance problems, thus improving productivity and wellbeing of the employees. In conjunction to this initiative the Sick Bay was also officially opened to cater to employees who are unwell and also for employees who are in open plan offices to use the telephone line installed to gain access to the telephonic services of the EWP in private.

A wellness day event was hosted for EAAB employees where various voluntary health assessments were conducted.

**Planned action for the 2016/17 period:**

Emphasis will continue to be placed on the identified focus areas of the human resources strategy, with particular attention being paid to:

- Conducting a Salary Survey/Trends analysis for the payment of market related salaries to all EAAB posts.
- Alignment of structure and strategy to update organograms.
- Facilitation of Talent Management initiatives.
- HR Risk Management
- Integration of HR Information Systems (HRIS)
- Management Development Programme
- Development of Retention Strategy

**HUMAN RESOURCE OVERSIGHT STATISTICS**

**Table 26: Personnel cost by Programme**

| Programme | Total expenditure (R'000) | Total personnel per costs (R'000) | Personnel expenditure as a % of Total expenditure | No. of employees | Average personnel costs per employee (R'000) |
|---|---|---|---|---|---|
| | | | | | |
| CEO's office | 23,182 | 16,085 | 69% | 15 | 1 072 |
| Compliance | 29,686 | 26,879 | 91% | 43 | 625 |
| Education & Training | 24,870 | 7,009 | 28% | 14 | 539 |
| Corporate services | 37,692 | 16,548 | 44% | 32 | 517 |
| | **115,430** | **66,521** | | **104** | |

**Table 27: 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 | 17,687 | 27% | 10 | 1, 768 |
| Senior Management | 11, 002 | 17% | 9 | 1, 222 |
| Professional qualified | 10, 706 | 16% | 11 | 973 |
| Skilled | 8, 830 | 13% | 12 | 736 |
| Semi- Skilled | 17,380 | 26% | 58 | 411 |
| Unskilled | 916 | 1% | 4 | 229 |
| **Total** | **66,521** | | **104** | **639** |

The EAAB remuneration structure is based on fixed annual salary package which an employee can structure over 12 or 13 months.

# INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT
...continued

**Table 28:Training costs**

| Programme | Personnel expenditure (R'000) | Total Training expenditure (R'000) | Training expenditure as a % of Total Personnel expenditure | No. of employees trained | Average training costs per employee (R'000) |
|---|---|---|---|---|---|
| CEO & Strategy | 16,085 | 258 | 2% | 13 | 20 |
| Compliance | 26,879 | 459 | 2% | 38 | 12 |
| Education & Training | 7,009 | 43 | 1% | 10 | 4 |
| Corporate services | 16,548 | 729 | 4% | 26 | 28 |
| **Total** | **66,521** | **1,490** | | **87** | **17** |

**Table 29: Employment and vacancies**

| Programme | 2014/15 No. of employees | 2015/16 Approved posts | 2015/16 No. of employees | 2015/16 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| CEO's office | 11 | 22 | 15 | 7 | 32% |
| Compliance | 41 | 47 | 43 | 4 | 9% |
| Education & Training | 12 | 14 | 14 | - | 0% |
| Corporate Services | 31 | 37 | 32 | 5 | 14% |
| **Total** | **95** | **120** | **104** | **16** | **13%** |

**Table 30: Salary Bands**

| Salary Bands | 2014/15 No. of employees | 2015/16 Approved posts | 2015/16 No. of employees | 2015/16 Vacancies | % of Vacancies |
|---|---|---|---|---|---|
| Top Management | 8 | 10 | 10 | - | 0.% |
| Senior Management | 10 | 13 | 9 | 4 | 31% |
| Professional qualified | 9 | 11 | 11 | 0 | 0% |
| Skilled | 9 | 14 | 12 | 2 | 14% |
| Semi- Skilled | 55 | 68 | 58 | 10 | 15% |
| Unskilled | 4 | 4 | 4 | 0 | 0% |
| **Total** | **95** | **120** | **104** | **16** | **13%** |

**Table 31: Employment changes**

| Salary Bands | Employment at the beginning of the period | Appointments | Terminations | Employment at the end of the period |
|---|---|---|---|---|
| Top Management | 8 | 2 | 0 | 10 |
| Senior Management | 10 | 1 | 2 | 9 |
| Professional qualified | 9 | 2 | 0 | 11 |
| Skilled | 9 | 3 | 0 | 12 |
| Semi- Skilled | 55 | 5 | 2 | 58 |
| Unskilled | 4 | 0 | 0 | 4 |
| **Total** | **95** | **13** | **4** | **104** |

*Table 32: Reasons for leaving EAAB employment*

| Reason | Number | % of staff leaving |
|---|---|---|
| Death | 0 | 0 |
| Resignation | 3 | 3% |
| Dismissal | 0 | 0% |
| Retirement | 1 | 1% |
| Ill health | 0 | 0% |
| Expiry of contract | 0 | 0% |
| Promoted to higher position | 0 | 0% |
| **Total** | **4** | **4%** |

**Table 33: Labour relations: Misconduct and Disciplinary**

| Reason | Number |
|---|---|
| Verbal warning | 2 |
| Written warning | 3 |
| Final written warning | 0 |
| Dismissal | 0 |
| **Total** | **5** |

**Table 34: Employment equity status - MALE**

| | AFRICAN MALE | | COLOURED MALE | | INDIAN MALE | | WHITE MALE | |
|---|---|---|---|---|---|---|---|---|
| **Skills Level** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** |
| Top Management | 6 | 5 | 2 | 2 | 0 | 0 | 1 | 0 |
| Senior Management | 3 | 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Professional qualified | 5 | 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Skilled | 4 | 3 | 0 | 1 | 1 | 2 | 0 | 1 |
| Semi-skilled | 16 | 18 | 0 | 1 | 0 | 1 | 0 | 0 |
| Unskilled | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **36** | **33** | **2** | **4** | **1** | **2** | **1** | **1** |

**Table 35: Employment equity status - FEMALE**

| | AFRICAN FEMALE | | COLOURED FEMALE | | INDIAN FEMALE | | WHITE FEMALE | |
|---|---|---|---|---|---|---|---|---|
| **Skills Level** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** | **EAAB staff** | **EE Target** |
| Top Management | 1 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 4 | 7 | 0 | 0 | 0 | 0 | 2 | 2 |
| Professional qualified | 5 | 6 | 0 | 0 | 1 | 1 | 0 | 1 |
| Skilled | 7 | 8 | 0 | 0 | 0 | 0 | 0 | 0 |
| Semi-skilled | 39 | 41 | 1 | 2 | 1 | 2 | 1 | 2 |
| Unskilled | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **58** | **64** | **1** | **2** | **2** | **3** | **3** | **5** |

# CORPORATE GOVERNANCE

**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 10 remained in active office at 1 April 2015. This did not hamper the Board in the performance of its duties as the Accounting Authority of the institution 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, during the its term of office in the financial year under review the Board held 3 meetings, two of which were Special Meetings. 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. This was conducted in June 2015

The term of office of the 10 members of the Board came to an end on 31 December 2015. This meant that there was no Board in place during the fourth quarter of the 2015/ 2016 financial year. During this period the function of Accounting Authority vested in the Chief Executive Officer in terms of Section 49(2)(b) of the Public Finance Management Act.

**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 (as indicated in clause above); the Audit and Risk Committee; the Finance and Investments Committee; the Education 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 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 below:

**Table 36: EAAB: Board and Board Chairman's Committee**

| **Board meetings: (10 Members)** | | | | |
|---|---|---|---|---|
| **No.** | **Name** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1 | Kwandiwe Kondlo | 01 January 2013 | 3 | 3 |
| 2 | Maletsatsi Maceba-Wotini | 01 January 2013 | 3 | 2 |
| 3 | Jill Corfield | 01 January 2013 | 3 | 3 |
| 4 | Mputumi Damane | 01 January 2013 | 3 | 2 |
| 5 | Sikander Kajee | 01 January 2013 | 3 | 2 |
| 6 | Patricia Lebenya | 01 January 2013 | 3 | 1 |
| 7 | Tshepo Maake | 01 January 2013 | 3 | 3 |
| 8 | Jabhile Mbele | 01 January 2013 | 3 | 1 |
| 9 | Bethuel Nsibande | 01 January 2013 | 3 | 1 |
| 10 | Fazel Randera | 01 January 2013 | 3 | 2 |

**Table 37: EAAB: Board and Board Committee meetings**

| **Chairman's Committee: (7 members)** | | | | |
|---|---|---|---|---|
| **No** | **Members** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1 | Kwandiwe Kondlo | 01 February 2013 | 3 | 3 |
| 2 | Maletsatsi Maceba-Wotini | 01 February 2013 | 3 | 2 |
| 3 | Mputumi Damane | 01 February 2013 | 3 | 2 |
| 4 | Sikander Kajee | 01 February 2013 | 3 | 0 |
| 5 | Patricia Lebenya | 01 February 2013 | 3 | 2 |
| 6 | Tshepo Maake | 01 February 2013 | 3 | 2 |
| 7 | Fazel Randera | 01 February 2013 | 3 | 2 |

**The Chairman's Committee** is constituted in terms of Section 8A of the Act which provides that the Board may appoint three or more than three of its members as an executive committee of the Board which, subject to the provisions of subsection (2) and the directions of the Board, shall have the power to exercise all the powers and perform all the functions of the Board during the periods between meetings of the Board. The Committee exercises these powers except in so far as the Board may direct otherwise; the Committee does not have the power to set aside or amend any decision of the Board. Any act performed or decision taken by the Committee is of force and effect except in so far as it is set aside or amended by the Board at its next ensuing meeting.

**Table 38: Audit, Risk and Finance Committee**

| Audit, Risk and Finance Committee: (7 members) | | | |
|---|---|---|---|
| **Members** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1. Kyansambo Vundla (Chairman) | 01 February 2013 | 5 | 4 |
| 2. Sikander 'Sikkie' Kajee | 10 May 2013 | 4 | 3 |
| 3. Moope Mphahlele | 01 February 2013 | 5 | 2 |
| 4. David Bosa | 24 March 2011 | 4 | 4 |
| 5. Mputumi Damane | 10 May 2013 | 4 | 4 |
| 6. Jabhile Mbele | 10 May 2013 | 4 | 1 |
| 7. Tendai Mapenda | 01 February 2016 | 1 | 1 |

**The Audit Risk and Finance Committee** is a properly constituted committee appointed by the Estate Agency Affairs Board and is accountable to the Board. The Audit and Risk Committee assists the Board in carrying out its functions relating to the safeguarding of assets, the operation of adequate systems and controls and the preparation of accurate financial reporting and statements in compliance with all applicable legislation and accounting standards. The formation of the Committee does not relieve the Board members of any of their responsibilities but can assist them to fulfill those responsibilities. The Committee plays an objective and independent role that operates as an overseer and a maker of recommendations and not one that intrudes into the area of management. The Committee is a forum for the discussion of business risk and the consideration of control issues. It develops recommendations for consideration and final decision and approval by the Board. The primary responsibility for financial and other reporting, internal control, compliance with laws, regulations, and ethics within the entity rests with executive management and the Audit and Risk Committee serves as an overseer of the activities of executive management.

**Table 39: Claims Compliance and Enforcement Committee 2015/2016**

| Claims Compliance and Enforcement Committee 2015/2016: (4 members) | | | |
|---|---|---|---|
| **Members** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1. Tshepo Maake (Chairman) | 10 May 2013 | 3 | 3 |
| 2. Sikander 'Sikkie' Kajee | 10 May 2013 | 3 | 3 |
| 3. Patricia Lebenya | 10 May 2013 | 3 | 1 |
| 4. Jill Corfield | 10 May 2013 | 3 | 3 |

**The Claims, Compliance and Enforcement Committee** exercises strategic oversight, while also monitoring and advising, the Enforcement Department and the Inspections Department of the EAAB. The Board has delegated the following responsibilities to the Committee: considering claims received against the Fidelity Fund and making appropriate recommendations to the Board; considering and approving claims received against the Estate Agents Fidelity Fund and making appropriate recommendations to the Board on the settlement of such claims; oversight over all issues pertaining to Compliance and enforcement, including but not limited to: licensing, oversight of the inspections function of the EAAB, to receive and assess reports from the enforcement department, to consider reports on all litigation instituted against the EAAB, and to consider and make recommendation to the Board on all applications made in terms of Section 27 of the Estate Agency Affairs Act.

**Table 40: Education and Training Committee**

| Education and Training Committee: (4 members) | | | |
|---|---|---|---|
| **Members** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1. Fazel Randera (Chairman) | 10 May 2013 | 2 | 2 |
| 2. Patricia Lebenya | 10 May 2013 | 2 | 1 |
| 3. Mputumi Damane | 10 May 2013 | 2 | 2 |
| 4. Maletsatsi Maceba-Wotini | 10 May 2013 | 2 | 1 |

**The Education and Training Committee** exercises strategic oversight, while also monitoring and advising, the Education and Training Department of the EAAB responsible for managing: education and training programmes and interventions for estate agents; the conduct of the Professional Designation Examination for qualifying estate agents; the professionalisation of the estate agency sector both on behalf of the EAAB as the statutory regulator of the sector as well as in the capacity of the SA Qualifications Authority recognised professional body of the sector; the implementation of a Continuing Professional Development ("CPD") programme for professional estate agents; the assessment of applications made by qualifying estate agents for the grant of equivalency exemptions against both the NQF Level 4 and 5 real estate qualifications pursuant to the Board approved equivalency exemption matrices; the assessment of applications made by qualifying estate agents aged 60 years and older for the grant of equivalency exemptions against the NQF Level 4 and 5 real estate qualifications as well as the Professional Designation Examinations; and the conduct of awareness programmes aimed at both estate agents and consumers.

**Table 41: Human Resources and Remuneration Committee**

| Human Resources and Remuneration Committee: (4 members) | | | |
|---|---|---|---|
| **Members** | **Date of Appointment** | **Total Number of Meetings** | **Total Attended** |
| 1. Patricia Lebenya (Chairman) | 10 May 2013 | 3 | 3 |
| 2. Bethuel Nsibande | 10 May 2013 | 3 | 3 |
| 3. Maletsatsi Maceba-Wotini | 10 May 2013 | 3 | 1 |
| 4. Tshepo Maake | 10 May 2013 | 3 | 3 |

**The Human Resources and Remuneration Committee** is constituted in terms of Section 8 (1) a, of the Estate Agency Affairs Act 0f 1976. The Committee is a properly constituted committee appointed by the Estate Agency Affairs Board and is answerable to the Board. The Committee assists the Board in carrying out its functions relating to the human resource oversight, policies and procedures and remuneration. The formation of the Committee does not relieve the Board members of any of their responsibilities, but assists with the fulfilment of those responsibilities. The Committee plays an objective and independent role that operates as an overseer and a maker of recommendations and not one that intrudes into the area of management. The Committee develops recommendations for consideration and final decision and approval by the Board.

**Committee of Inquiry into Racism in the Property Sector**

The EAAB ever mindful of on-going concerns in the industry has established a Committee of Inquiry into Racism in the Property Sector. The Committee was established under Section 8B of the Estate Agency Affairs Act in response to a Ministerial inquiry regarding the prevalence of racism and prejudice in the estate agents industry and within the human settlements sector as a whole. It is comprised of persons appointed by the Board from various fields bearing in an interest in eradicating racism from the National Agenda of the Republic of South Africa. The Committee commenced its functions on the 15th of March 2016 following a spurt of racially charged incidents involving persons in the sector. Committee objectives included: entering into memoranda of understanding with other Ministries/bodies/ entities/ departments as would become necessary; the conducting of workshops and gathering of inputs; and making contributions into National legislation on racism and discrimination. The Committee met once during the period under review. Membership and attendance during the period is depicted in the table below:

**Table 42:** **Committee of Inquiry into Racism in the Property Sector**

| Name | Organisation Represented | Number of Meetings Held | Attended |
|---|---|---|---|
| **B Chaplog** | Estate Agency Affairs Board | 1 | 1 |
| **T Moloi** | Department of Human Settlements | 1 | 1 |
| **S Letele** | Department of Human Settlements | 1 | 1 |
| **I Padayachy** | Ministry of Human Settlements | 1 | 1 |
| **N Ndebele** | Estate Agency Affairs Board | 1 | 1 |
| **K Mlotha** | Department of Human Settlements | 1 | 1 |
| **N Matibe** | Department of Justice & Constitutional Development | 1 | 1 |
| **Z Mclaren** | Gauteng Rental Housing Tribunal | 1 | 1 |
| **M Menye** | Community Schemes Ombud Service | 1 | 1 |
| **J Tladi** | Estate Agency Affairs Board | 1 | 1 |
| **K Ngwenya** | Estate Agency Affairs Board | 1 | 1 |
| **D Dube** | Community Schemes Ombud Service | 1 | 1 |

### 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

# FINANCIAL OVERVIEW

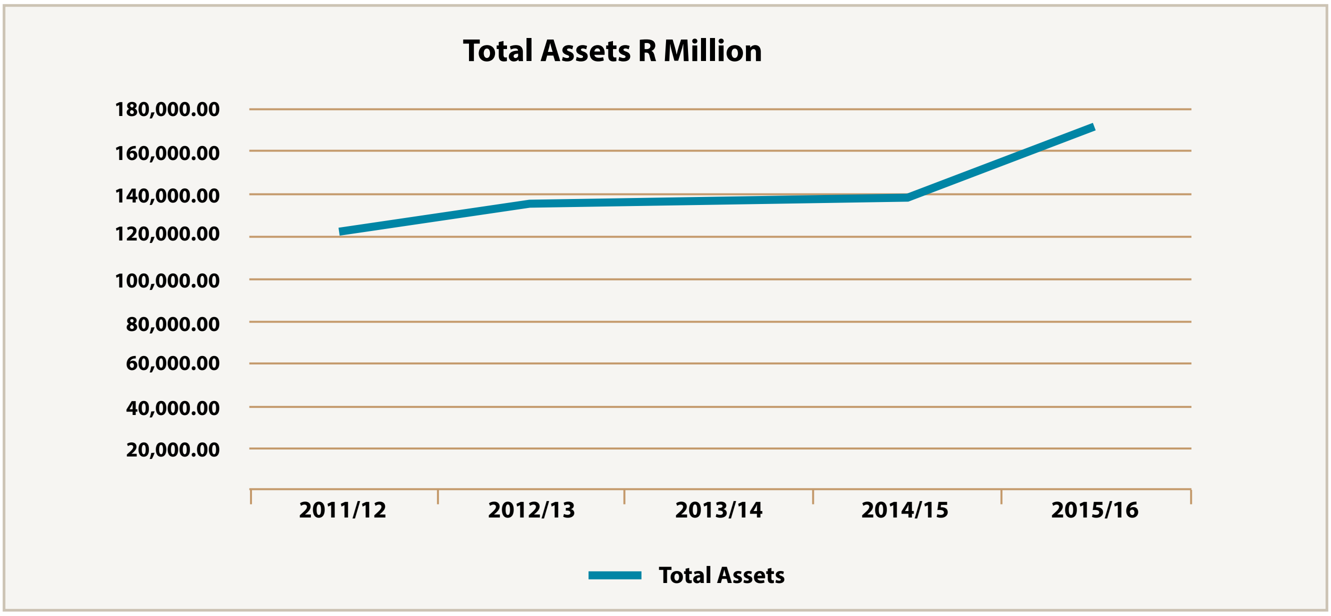
**The Estate Agency Affairs Board 5 Year Review**

| | 2015/16<br>R'000 | 2014/15<br>R'000 | 2013/14<br>R'000 | 2012/13<br>R'000 | 2011/12<br>R'000 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue - Contributions | 18 067 | 17 545 | 16 279 | 18 662 | 18 034 |
| Revenue - Management Fee | 51 681 | 51 409 | 52 253 | 52 983 | 30 535 |
| Revenue - Examinations | 34 467 | 11 630 | 2 541 | 751 | 481 |
| Other Income | 9 039 | 11 486 | 9 439 | 10 663 | 5 685 |
| Operating Expenditure | (44 207) | (35 709) | (34 243) | (41 516) | (27 060) |
| Depreciation and Impairments | (3 532) | (3 219) | (2 348) | (366) | (1 779) |
| Auditors Remuneration | (1 168) | (1 046) | (1 461) | (1 666) | (1 165) |
| Employee Costs | (66 522) | (57 296) | (36 560) | (49 990) | (40 872) |
| Forensic Audit Fees | | - | - | - | (1 060) |
| Investment Income | 2 312 | 2 487 | 2 879 | 5 771 | 5 145 |
| Gain in disposal of non-current assets | 1 | 111 | - | - | - |
| Finance Costs | - | - | - | (3) | (41) |
| **Net Surplus/(Deficit)** | **138** | **(2 602)** | **8 779** | **(4 711)** | **(12 098)** |
| **BALANCE SHEET** | | | | | |
| Property, Plant and Equipment | 105 246 | 73 596 | 73 377 | 1 738 | 944 |
| Non-current assets held for sale | - | - | - | - | 18 839 |
| Intangible Assets | 1 843 | 2 323 | 2 055 | 1 963 | 2 041 |
| Retirement Benefit Assets | 9 906 | - | - | - | - |
| Inventories | 307 | 129 | 364 | 165 | 59 |
| Loan Fund - Fidelity Fund | 14 328 | 12 497 | 21 868 | 17 580 | 13 437 |
| Financial Assets | - | - | 1 355 | 27 450 | 77 193 |
| Trade and other Receivables | 5 533 | 2 272 | 3 940 | 1 428 | 5 558 |
| Bank and Cash | 33 528 | 48 025 | 33 935 | 85 099 | 3 989 |
| **Total Assets** | **170 691** | **138 842** | **136 894** | **135 423** | **122 060** |
| | | | | | |
| Capital and Reserves | 132 833 | 102 388 | 104 990 | 84 526 | 91 875 |
| Loan Fund - Fidelity Fund | - | - | - | - | - |
| Current Liabilities | 29 302 | 27 220 | 23 681 | 18 593 | 12 873 |
| Non-current Liabilities | 8 556 | 9 234 | 8 223 | 32 304 | 17 312 |
| **Total Equity and Liabilities** | **170 691** | **138 842** | **136 894** | **135 423** | **122 060** |
| **CASH FLOWS** | | | | | |
| Net cash from operating activities | (8 220) | 6 976 | 1 106 | 10 673 | (1 075) |
| Net cash from investing activities | (6 276) | 7 113 | (52 270) | 69 188 | 2 109 |
| Net cash from financing activities | - | - | - | (80) | (206) |
| **Total movement for the year** | **(14 496)** | **14 089** | **(51 164)** | **79 781** | **828** |
| Cash at the beginning of the year | 48 024 | 33 936 | 85 099 | 5 318 | 4 490 |
| **Total cash at the end of the year** | **33 528** | **48 025** | **33 935** | **85 099** | **5 318** |

| | 2015/16 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|---|---|---|---|---|
| | R'000 | R'000 | R'000 | R'000 | R'000 |
| **RATIO ANALYSIS** | | | | | |
| % Year on year inclease/(decrease) in total assets | 23% | 1% | 1% | 11% | 5% |
| ***Profitability and net Asset Management*** | | | | | |
| Net Asset Value (R'000) | 132 833 | 102 388 | 104 990 | 84 526 | 91 875 |
| Asset Turnover (%) | 78% | 79% | 68% | 86% | 53% |
| Return/ (Deficit) on net Assets (%) | 0% | (3%) | 8% | (6%) | (13%) |
| Current Ratio | 2:1 | 2:1 | 3:1 | 7:1 | 8:1 |
| Operating Margin (%) | 0% | (3%) | 12% | (7%) | (25%) |
| ***Performance*** | | | | | |
| % Year on year increase/(decrease) in net surplus/(deficit) | 105% | (130%) | 286% | 61% | (43%) |
| Revenue per employee (R'000) | 1 002 | 1 104 | 960 | 953 | 645 |
| Net surplus/(deficit) per employee (R'000) | | | | | |
| Number of employees | 104 | 73 | 74 | 76 | 76 |

**Ratio Definitions**

| | |
|---|---|
| Net Assets | Total assets less total liabilities |
| Asset Turnover | Revenue divided by net assets |
| Return/ (Deficit) 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 |



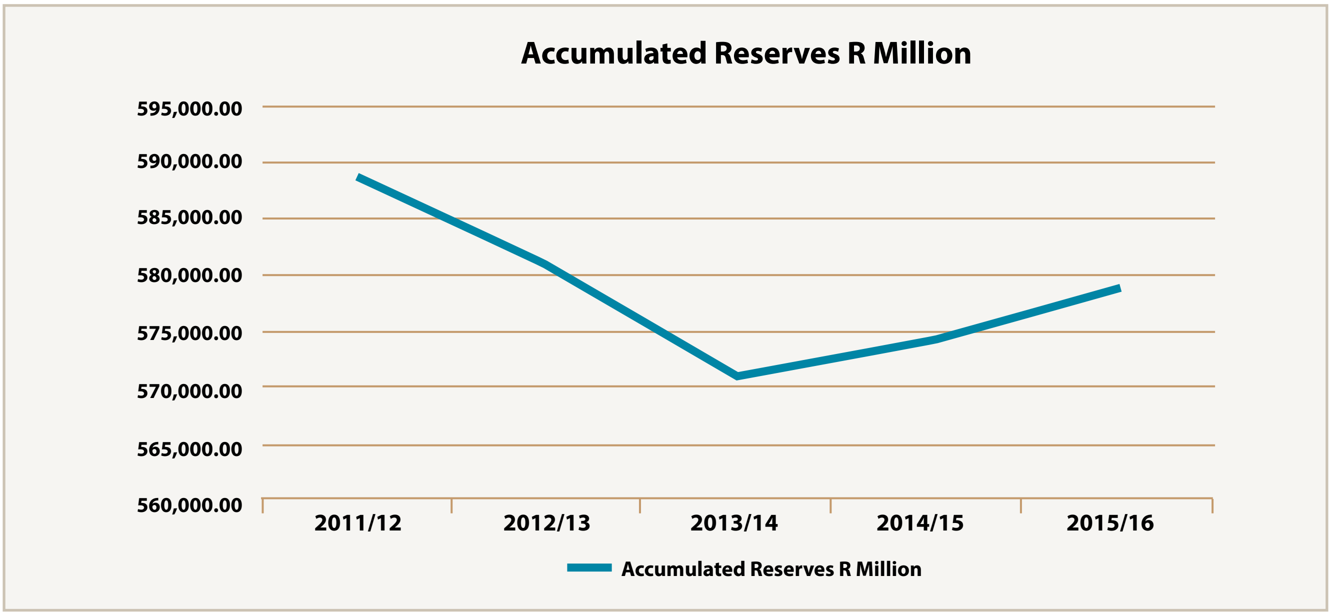
# FINANCIAL OVERVIEW...continued

**The Estate Agents Fidelity Fund 5 Year Review**

| | 2015/16 R'000 | 2014/15 R'000 | 2013/14 R'000 | 2012/13 R'000 | 2011/12 R'000 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue - Contributions | 32 895 | 29 357 | 19 737 | 21 796 | 20 987 |
| Other Income | 2 693 | 3 843 | 4 608 | 379 | 4 211 |
| Operating Expenditure | (18 072) | (18 495) | (19 459) | (12 165) | (23 631) |
| Management Fee- EAAB | (51 681) | (51 409) | (52 253) | (52 983) | (30 535) |
| Investment Income | 28 599 | 31 583 | 28 291 | 26 687 | 28 369 |
| Fair Value Adjustments | 10 625 | 8 142 | 9 703 | 8 173 | 7 685 |
| | | | - | - | - |
| **Net Surplus/(Deficit)** | **4 603** | **3 021** | **(9 373)** | **(8 113)** | **7 086** |
| **BALANCE SHEET** | | | | | |
| Financial Assets | 138 260 | 508 651 | 472 814 | 511 089 | 597 987 |
| Trade and other Receivables | 11 842 | 3 119 | 4 697 | 10 405 | 7 774 |
| Bank and Cash | 457 823 | 85 406 | 127 494 | 86 809 | 2 248 |
| **Total Assets** | **607 925** | **597 176** | **605 005** | **608 303** | **608 009** |
| Capital and Reserves | 578 837 | 574 235 | 571 213 | 580 585 | 588 718 |
| Loan Fund - Fidelity Fund | | | | | |
| Current Liabilities | 29 087 | 22 942 | 33 792 | 27 718 | 19 291 |
| Non-current Liabilities | | | | | |
| **Total Equity and Liabilities** | **607 925** | **597 177** | **605 005** | **608 303** | **608 009** |
| **CASH FLOWS** | | | | | |
| Net cash from operating activities | (8 600) | (16 459) | (7 292) | (10 515) | (7 811) |
| Net cash from investing activities | 381 017 | (25 628) | 47 977 | 95 071 | (19 380) |
| **Total movement for the year** | **372 417** | **(42 087)** | **40 685** | **84 556** | **(27 191)** |
| Cash at the beginning of the year | 85 407 | 127 494 | 86 809 | 2 252 | 29 442 |
| **Total cash at the end of the year** | **457 823** | **85 407** | **127 494** | **86 808** | **2 251** |
| **RATIO ANALYSIS** | | | | | |
| ***Profitability and net Asset Management*** | | | | | |
| Net Assets Value (R'000) | 578 837.00 | 574 235.00 | 571 213.00 | 580 585.00 | 588 715.00 |
| Management fee payable to EAAB as a % of net assets | (9%) | (9%) | (9%) | (9%) | (5%) |
| % Year on year inclease/(decrease) in financial assets (Investment) | (73%) | 8% | (7%) | (15%) | (6%) |
| % Year on year inclease/(decrease) in total assets | 2% | (1%) | (1%) | 0% | 8% |
| ***Profitability and net Asset Management*** | | | | | |
| Asset Turnover (%) | 13% | 12% | 10% | 10% | 10% |
| Return on net Assets (%) | 1% | 1% | (2%) | (1%) | 1% |
| Current Ratio | 21:1 | 26:1 | 18:1 | 22:1 | 32:1 |
| Operating Margin (%) | 7% | 4% | (16%) | (14%) | 12% |

**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

# ANNUAL PERFORMANCE REPORT

**PART A: STRATEGIC OVERVIEW**

1. **Vision**

To be a trusted world-class regulator of the profession of estate agency.

2. **Mission**

Ensure the integrity of the activities 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.

Protect the consumer by providing insurance, regulating, protecting, guiding and enhancing the standard of conduct of estate agents; and ensuring the integrity of estate agents in their interactions with consumers.

3. **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;
- **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;
- **Transparency:** to remove all barriers to and the facillitation of free and easy stakeholder accessto the boards operations;
- **Professionalism:** maintaining performance standards and expectations within the industry; and
- **Target driven:** to have an operational bias toward tangible delivery.

4. **Legislative and other mandates**

**a. Legislative mandates**

The EAAB must always remain aware of, and comply with all, relevant legislation impacting on its functioning. Relevant legislation includes, but is not limited to:

- The Constitution of the Republic of South Africa
- The Estate Agency Affairs Act, 112 of 1976
- The Public Finance Management Act, 1 of 1999
- The Preferential Procurement Policy Framework Act , 5 of 2000
- The Financial Intelligence Centre Act, 38 of 2001
- The Labor 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, 3 of 2000
- The Promotion of Access to Information Act, 2 of 2000
- The Prevention of Corrupt Activities Act,12 of 2004
- Protection of Personal Information Act, 4 of 2013
- Sectional Title Schemes Management Act, 8 of 2011
- The National Credit Act, 35 of 2005
- The Consumer Protection Act, 68 of 2008
- Community Services Ombud Services Act, 9 of 2011 and
- Broad Based Black Economic Empowerment Act, 53 of 2013

## b. The mandate of the EAAB

The primary mandate of the EAAB in respect of the Estate Agency Affairs Act is to:

(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;

**Additional to primary mandate of the EAAB**

**Financial Intelligence Centre**

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, money laundering and terrorist financing activities in the estate agents' sector.

**Government-wide priorities**

The expanded mandate of EAAB in respect of National Development Plan 2030 Vision and Trajectory is reflected in outcome number 8, which refers to sustainable and improved quality of household life. With respect to MTSF sub-outcome 2, the department of human settlements is required to ensure a sustainable residential property market. Based on this governmental strategic priority, EAAB recognises its role in supporting the following:

- Intensify homeownership induction programmes for the affordable housing market
- Establish transactional support for affordable housing market
- Monitor and reporting transactions in the secondary housing subsidy market
- Conduct analysis and disseminate information on property trends and values in the affordable housing market
- Develop policy and administration systems that support individual transactions in the secondary housing market
- Facilitate the regular backlog of title deeds to form part of the housing development.

## 5. PROGRAMME 1: COMPLIANCE

### Key Strategic Objectives

To improve compliance with the Estate Agency Affairs Act and Financial Intelligence Centre Act.

### Purpose

To promote a compliant real estate industry.

| PROGRAMME 1: COMPLIANCE | | | | | | |
|---|---|---|---|---|---|---|
| **Strategic Objectives**<br>• **To improve compliance with the Estate Agency Affairs Act.** | | | | | | |
| **SUB PROGRAMME** | **KEY PERFORMANCE INDICATOR** | **Actual Achievements 2014/2015** | **Planned Targets 2015/2016** | **Actual Achievements 2015/2016** | **Deviation from planned target to Actual Achievement for 2015/2016 (under)/over performance** | **Comment on deviations above and below 5% of the target.** |
| **Disciplinary** | Percentage of complaints resolved within 6 months | No baseline as it is a new measure | 75% | 64% | -11% (under performed) | There was an unexpected resignation of legal officers during the financial period. Due to the scarcity of staff with the legal background. Replacement of staff was longer than expected. |
| **Inspection** | Number of estate agencies inspected | 1107 | 1220 | 474 | -746 (61% below target) under performed | There were no inspections performed in the latter part of the 4th quarter due to changes in legislation where court decision rendered it unconstitutional to perform physical inspections. |
| **Licensing** | Percentage of certificates issued (FFC) to new registered and compliant estate agents within 21 days | No baseline as it is a new measure | 85% | 84% | -1% under performed | There was an unexpected resignation of the Registration Manager during the financial period. This has led to disruption in registration department activities. |
| | Percentage renewal certificates (FFC) issued to current registered and compliant estate agents issued within 5 days | No baseline as it is a new measure | 94% | 81% | -13% under performed | There was an unexpected resignation of the Registration Manager during the financial period. This has led to disruption in registration department activities |

**PROGRAMME 2: EDUCATION AND TRAINING**

**Strategic objectives**

To build capacity of key stakeholders and professionalise the estate agency sector.

**Purpose**

To professionalise the Estate Agency industry through creating awareness of the education requirements.

| PROGRAMME 2: EDUCATION AND TRAINING | | | | | | |
|---|---|---|---|---|---|---|
| **Strategic Objectives**<br>• **To build capacity of key stakeholders** | | | | | | |
| **SUB -PROGRAMME** | **KEY PERFORMANCE INDICATOR** | **Actual Achievements 2014/2015** | **Planned Targets 2015/2016** | **Actual Achievements 2015/2016** | **Deviation from planned target to Actual Achievement for 2015/2016 (under)/over performance** | **Comment on deviations above and below 5% of the target.** |
| **One Learner One Estate Agency** | Number of previously disadvantaged interns placed with principal estate | No baseline as it is a new measure | 2000 | 2298 | 298 (14% above target) over achievement | Greater awareness by EAAB of the initiative lead to sector recruiting more interns than expected. |
| **Professional Designation Examination** | Percentage of NQF level 4 & 5 candidates wrote the PDE and received results | No baseline as it is a new measure | 95% | 99% | 4% over achievement | Target achieved |
| **Estate Agents stakeholder engagements** | Number of estate agent roadshow seminars performed | 30 | 16 | 68 | 52 (325% above target) over achievement | The introduction of Continuous professional development for Qualified and Principal Estate agents has led to increased estate agents engagements. |
| **Estate Agents publications** | Number of AGENT magazines published and issued | 4 | 4 | 4 | 0 deviation | Target achieved |
| **Consumer Awareness** | Number of consumer awareness campaigns performed | 22 | 16 | 17 | 1 (5% above target) | Target achieved |
| | Number of consumers reached through radio | No baseline as it is a new measure | 400,000 | 9,811,000 | 9,411,000 (2353%)over achieved | EAAB focused its broadcast on the larger radio stations. |
| | Percentage implementation of information/ data management system. | No baseline as it is a new measure | 100% | 100% | 0 deviation | Target achieved |

## 6. PROGRAMME 3: FIDELITY FUND

### Strategic objectives

To ensure that the Fidelity Fund is financially sustainable.

### Purpose

Fidelity Fund is the accumulation of financial resources used as a protection mechanism for property consumers de-frauded by Estate Agents.

| PROGRAMME 3: FIDELITY FUND | | | | | | |
|---|---|---|---|---|---|---|
| **Strategic objective**<br>• **To improve the sustainability of the Fidelity Fund** | | | | | | |
| **SUB PROGRAMME** | **KEY PERFORMANCE INDICATOR** | **Actual Achievements 2014/2015** | **Planned Targets 2015/2016** | **Actual Achievements 2015/2016** | **Deviation from planned target to Actual Achievement for 2015/2016 (under)/over performance** | **Comment on deviations** |
| **Claims against the Fidelity Fund** | Percentage of claims finalised for payments within 6 months | No baseline as it is a new measure | 35% | 69% | 34% over achievement | The introduction of management claims committee has increased efficiency in the processing of claims. |
| **Collection of interest from estate agency trust accounts** | Percentage increase in interest from estate agency trust accounts collected within 30 days of due dates | No baseline as it is a new measure | 35% | 87% | 52% over achievement | The improved effectiveness of the new audit compliance department has led to greater efficiency in collection of Interest from Estate Agency Trust accounts. |

## 7. PROGRAMME 4: CORPORATE SERVICES

**Strategic objective**

To ensure that EAAB operations are efficient and effective.

**Purpose**

EAAB aspires to be a world class regulator through its service delivery and systems.

**PROGRAMME 4: CORPORATE SERVICES**

**Strategic Objectives**
- **To improve service delivery of EAAB**

| PROGRAMME | KEY PERFORMANCE INDICATOR | Actual Achievements 2014/2015 | Planned Targets 2015/2016 | Actual Achievements 2015/2016 | Deviation from planned target to Actual Achievement for 2015/2016 (under)/over performance | Comment on deviations |
|---|---|---|---|---|---|---|
| **Compliance and Internal Control environment** | Percentage in resolving of audit findings raised within the agreed turnaround time | No baseline as it is a new measure | 90% | 49% | 41% under achievement | There were delays in approving of policies due to unavailability of the Board. |
| **Human Resource Management** | Percentage reduction in vacancy rate | 3% | 14% | 12% | 2% Over achievement | Target achieved |
| **ICT management** | Percentage of implementation of ICT annual strategy | 51% | 94% | 25% | 71% under achievement | The unexpected resignation of the ICT manager had disrupted operations in the ICT department. |
| **Customer Relations** | Percentage of queries received from stakeholders and resolved within 48 hours. | 93% | 85% | 76% | 9% under-achievement | Due to the introduction of projects such as One learner One Estate agents and Continuous Professional Development Programme, the volume of queries has increased by more than expected. |

# The Estate Agency Affairs Board and its controlled entity

## Consolidated and Separate Financial Statements
*for the year ended 31 March 2016*

# INDEX

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

# STATEMENT OF 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 International Financial Reporting Standards (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 2017 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 external auditors are responsible for independently reviewing and reporting on the EAAB's financial statements. The financial statements have been examined by the EAAB's external auditors and their report is presented on page 88 to 89

The consolidated and separate financial statements set out on pages 92 to 134, which have been prepared on the going concern basis, were approved on 29 July 2016 and were signed on its behalf by:

**Bryan Chaplog (CA)SA**
**Chief Executive Officer and Accounting Authority**
**As at 31 May 2016**

# AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

**Audit and risk committee members and attendance**

The audit and risk committee consists of the members listed hereunder and met five 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 held | Number of meetings attended |
|---|---|---|
| Kyansambo Vundla (Chairman) (Appointed: 01/02/2013) - Independent Non Executive | 5 | 4 |
| Sikander 'Sikkie' Kajee (Term Ended 31 December 2015) | 4 | 3 |
| Mr. M.M. Mphahlele (Appointed: 01/02/2013) - Independent Non Executive | 5 | 2 |
| David Bosa (Term Ended 31 December 2015) - Independent Non Executive | 4 | 4 |
| Mputumi Damane (Term Ended 31 December 2015) | 4 | 4 |
| Jabhile Mbele (Resigned 26 October 2015) | 4 | 1 |
| Tendai Mapenda (Appointed: 01/02/2016) - Independent Non Executive | 1 | 1 |

**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 except for the requirement to review its terms of reference annually.

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. 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 auditor'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. The meeting to discuss the audit outcomes took place on the 26th of July 2016.

**MS K VUNDLA**
**CHAIRPERSON OF THE AUDIT COMMITTEE**
**DATE: 29 JULY 2016**

# INDEPENDENT AUDITORS' REPORT

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

**Introduction**

We have audited the consolidated and separate financial statements of the Estate Agency Affairs Board of South Africa set out on pages 92 to 134 which comprises the consolidated and separate statement of financial position as at 31 March 2016, consolidated and separate statement of financial performance, statement of changes in net assets and the statement of cash flows and statement of comparison of budget information with actual information 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 consolidated and separate financial statements in accordance with Generally Recognised Accounting Practices and the requirements of the Public Finance Management Act of South Africa, 1999(Act No. 1 of 1999) (PFMA), 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 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 judgment, 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 2016 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.

**Other matters**

We draw attention to the matter below. Our opinion is not modified in respect of this matter below:

**Expiry of the board term of office and new appointment**

We note that the previous board term of office expired on the 31st December 2015. The new board was appointed on the 6th of July 2016, subsequent to year end per note 26 in the financial statements.

**Other reports**

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited financials we have not audited the reports and accordingly do not express an opinion on them.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non- compliance with legislation and internal control. We performed tests 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.

**Predetermined objectives**

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

a) To improve compliance with the Estate Agency Affairs Act, Financial Intelligence Act and Property Sector Act on page 78
b) To improve the effectiveness and efficiency of the EAAB and To increase stakeholder awareness of the EAAB and its role and services; on page 81
c) To improve the sustainability of the Fidelity Fund; on page 80 and
d) To build capacity of key stakeholders; and professionalize the Estate Agency sector on page 79

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 objectives. 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.

We did not identify any material findings on the usefulness and reliability of the reported performance information on the above objectives.

**Additional matter**

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

**Achievement of planned targets**

Refer to the annual performance report on pages 75 to 81 for information on the achievement of the planned targets for the year.

**Compliance with laws and legislation**

We performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instance of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**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. We did not identify any significant deficiencies in internal control.

Ngubane & Co

**Ngubane & Co. (Jhb) Inc. Registered Auditors**
**Director: Edwin Chapanduka**
**Registered auditor**
**29 July 2016**

# COMPANY SECRETARY'S CERTIFICATION

**Declaration by the company secretary in respect of Section 11(1) of the Estate Agency Affairs Act**

In terms of section 11(1) of the Estate Agency Affairs Act of 1976, I certify that, for the financial year ended 31 March 2016, Estate Agency Affairs Board has lodged, with the Minister of Human Settlements, the consolidated annual financial statements in respect of the preceding financial year.

**Company Secretary**
**29 July 2016**

# STATEMENT OF FINANCIAL POSITION

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Notes | R | R | R | R |
| **Assets** | | | | | |
| **Current Assets** | | | | | |
| Inventories | 8 | 306 620 | 129 051 | 306 620 | 129 051 |
| Loan fund - Fidelity Fund | 5 | - | - | 14 328 538 | 12 497 297 |
| Financial assets | 6 | 138 259 781 | 508 651 316 | - | - |
| Trade and other receivables from exchange transactions | 9 | 17 375 036 | 5 390 983 | 5 533 076 | 2 272 462 |
| Cash and cash equivalents | 10 | 491 351 836 | 133 431 521 | 33 528 215 | 48 024 523 |
| | | **647 293 273** | **647 602 871** | **53 696 449** | **62 923 333** |
| **Non-Current Assets** | | | | | |
| Property, plant and equipment | 3 | 105 246 043 | 73 595 565 | 105 246 043 | 73 595 565 |
| Intangible assets | 4 | 1 842 847 | 2 322 679 | 1 842 847 | 2 322 679 |
| Employee benefit asset | 7 | 9 906 000 | - | 9 906 000 | - |
| | | **116 994 890** | **75 918 244** | **116 994 890** | **75 918 244** |
| **Total Assets** | | **764 288 163** | **723 521 115** | **170 691 339** | **138 841 577** |
| **Liabilities** | | | | | |
| **Current Liabilities** | | | | | |
| Trade and other payables | 12 | 38 868 262 | 31 976 390 | 24 176 226 | 22 867 954 |
| Provisions | 11 | 4 753 120 | 5 287 132 | 4 686 062 | 3 950 657 |
| Current portion of post-retirement medical aid liability | 7 | 440 000 | 401 000 | 440 000 | 401 000 |
| | | **44 061 382** | **37 664 522** | **29 302 288** | **27 219 611** |
| **Non-Current Liabilities** | | | | | |
| Post -retirement pension fund liability | 7 | - | 1 655 000 | - | 1 655 000 |
| Non-current portion of post-retirement medical aid liability | 7 | 8 556 000 | 7 579 000 | 8 556 000 | 7 579 000 |
| | | **8 556 000** | **9 234 000** | **8 556 000** | **9 234 000** |
| **Total Liabilities** | | **52 617 382** | **46 898 522** | **37 858 288** | **36 453 611** |
| **Net Assets** | | **711 670 781** | **676 622 593** | **132 833 051** | **102 387 966** |
| **Net Assets** | | | | | |
| Reserves | | | | | |
| Revaluation reserve | | 30 306 601 | - | 30 306 601 | - |
| Accumulated surplus | | 681 364 180 | 676 622 593 | 102 526 450 | 102 387 966 |
| **Total Net Assets** | | **711 670 781** | **676 622 593** | **132 833 051** | **102 387 966** |

# STATEMENT OF FINANCIAL PERFORMANCE

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Notes | R | R | R | R |
| Revenue from exchange transactions | 13 | 124 653 460 | 98 257 784 | 104 215 339 | 80 584 625 |
| Other income | 14 | 11 732 440 | 15 329 375 | 9 039 499 | 11 486 369 |
| Operating expenses | 15 | (60 856 587) | (51 631 623) | (42 798 237) | (33 747 389) |
| Auditors' remuneration | | (1 167 901) | (1 046 482) | (1 167 901) | (1 046 482) |
| Depreciation and amortisation | 3 | (3 531 986) | (3 210 602) | (3 531 986) | (3 210 602) |
| Employee costs | 16 | (66 521 507) | (57 259 623) | (66 521 507) | (57 259 623) |
| Board members emoluments | 23 | (1 233 324) | (1 872 324) | (1 233 324) | (1 872 324) |
| Audit committee emoluments | 23 | (126 756) | (125 429) | (126 756) | (125 429) |
| Impairment loss and asset write offs | 17 | (50 035) | (8 954) | (50 035) | (8 954) |
| **Operating surplus (deficit)** | | **2 897 804** | **(1 567 878)** | **(2 174 908)** | **(5 199 809)** |
| Investment income | | 1 842 759 | 1 876 472 | 2 312 368 | 2 486 842 |
| Gain on disposal of non-current assets | | 1 024 | 110 557 | 1 024 | 110 557 |
| **Surplus (deficit) for the year** | | **4 741 587** | **419 151** | **138 484** | **(2 602 410)** |

# STATEMENT OF CHANGES IN NET ASSETS

| | Revaluation reserve | Accumulated surplus | Total net assets |
|---|---|---|---|
| | R | R | R |
| **Group** | | | |
| **Balance at 01 April 2014** | **-** | **676 203 442** | **676 203 442** |
| Surplus for the year | - | 419 151 | 419 151 |
| **Balance at 01 April 2015** | **-** | **676 622 593** | **676 622 593** |
| Revaluation of land and buildings | 30 306 601 | - | 30 306 601 |
| Surplus for the year | - | 4 741 587 | 4 741 587 |
| **Balance at 31 March 2016** | **30 306 601** | **681 364 180** | **711 670 781** |
| **Board** | | | |
| **Balance at 01 April 2014** | **-** | **104 990 376** | **104 990 376** |
| Deficit for the year | - | (2 602 410) | (2 602 410) |
| **Balance at 01 April 2015** | **-** | **102 387 966** | **102 387 966** |
| Revaluation of land and buildings | 30 306 601 | - | 30 306 601 |
| Surplus for the year | - | 138 484 | 138 484 |
| **Balance at 31 March 2016** | **30 306 601** | **102 526 450** | **132 833 051** |

# CASH FLOW STATEMENT

| | | Group | | Board | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | Notes | R | R | R | R |
| **Cash flows from operating activities** | | | | | |
| **Receipts** | | | | | |
| Cash received from estate agents and other sources | | 114 317 818 | 116 982 168 | 99 910 195 | 93 974 226 |
| Interest income | | 1 842 759 | 1 876 472 | 2 312 368 | 2 486 842 |
| | | 116 160 577 | 118 858 640 | 102 222 563 | 96 461 068 |
| **Payments** | | | | | |
| Cash paid to suppliers and employee costs | | (124 187 213) | (108 761 612) | (110 443 047) | (89 484 826) |
| **Net cash flows from operating activities** | 19 | **(8 026 636)** | **10 097 028** | **(8 220 484)** | **6 976 242** |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | 3 | (4 072 800) | (2 693 553) | (4 072 800) | (2 693 553) |
| Proceeds from sale of property, plant and equipment | 3 | 2 521 | 133 376 | 2 521 | 133 376 |
| Purchase of other intangible assets | 4 | (374 304) | (1 052 679) | (374 304) | (1 052 679) |
| Changes in the loan fund | | - | - | (1 831 241) | 9 370 859 |
| Movements of financial assets | | 370 391 535 | (34 482 378) | - | 1 354 526 |
| **Net cash flows from investing activities** | | **365 946 952** | **(38 095 234)** | **(6 275 824)** | **7 112 529** |
| **Net increase/(decrease) in cash and cash equivalents** | | **357 920 316** | **(27 998 206)** | **(14 496 308)** | **14 088 771** |
| Cash and cash equivalents at the beginning of the year | | 133 431 520 | 161 429 726 | 48 024 523 | 33 935 752 |
| **Cash and cash equivalents at the end of the year** | 10 | **491 351 836** | **133 431 520** | **33 528 215** | **48 024 523** |

# 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 | 37 767 560 | - | **37 767 560** | 19 946 019 | **(17 821 541)** | Note 1 |
| Interest on trust funds | 24 931 000 | - | **24 931 000** | 31 015 362 | **6 084 362** | Note 2 |
| Investment income | 45 323 454 | - | **45 323 454** | 41 067 408 | **(4 256 046)** | Note 3 |
| Income from examinations | 19 208 800 | - | **19 208 800** | 34 467 430 | **15 258 630** | Note 4 |
| Claims recoverable | 5 000 000 | - | **5 000 000** | 2 521 906 | **(2 478 094)** | Note 5 |
| Other income | 9 681 797 | - | **9 681 797** | 9 210 534 | **(471 263)** | Note 6 |
| **Total revenue from exchange transactions** | **141 912 611** | **-** | **141 912 611** | **138 228 659** | **(3 683 952)** | |
| **Expenditure** | | | | | | |
| Employee costs | (73 157 676) | - | **(73 157 676)** | (66 521 507) | **6 636 169** | Note 7 |
| Board members remuneration | (3 148 944) | - | **(3 148 944)** | (1 233 324) | **1 915 620** | Note 8 |
| Administrative costs | (59 896 775) | - | **(59 896 775)** | (65 733 265) | **(5 836 490)** | Note 9 |
| **Total expenditure** | **(136 203 395)** | **-** | **(136 203 395)** | **(133 488 096)** | **2 715 299** | |
| **Operating surplus** | **5 709 216** | **-** | **5 709 216** | **4 740 563** | **(968 653)** | |
| Gain on non-current assets held for sale or disposal groups | - | - | **-** | 1 024 | **1 024** | |
| **Surplus (deficit)** | **5 709 216** | **-** | **5 709 216** | **4 741 587** | **(967 629)** | |

**NOTES**

Note1: FFC Contributions

FFC Contributions was less than budget due to unexpected delays in the finalisation of increase in levies. It is envisaged that the increased levies would be finalised and gazzetted during the first quarter of the next financial year.

Note 2: Interest on trust funds

This was due to increase in the level of compliance by the firms submitting audit reports on trust funds as per requirement.

Note 3: Interest income

Interest on investments was lower than envisaged. This was mainly due to caution exercised on the new investments while the new investment strategy was being developed and due diligence on the new investments products were being performed. These investments are currently in money markets call accounts as new investment mandates are finalised.

Note 4: Examinations

Income from examinations was more than expected due to the income genarated from Continued Professional Development programme ("CPD") as a result of earlier than envisaged full implementation of the CPD programme.

Note 5: Claims recoverable

Claims recoverable were less than budgeted for due to less claims paid and recoverable during the year under review. Claim expenses will be more than budgeted as results of claims provided for at year end and only paid after year end.

Note 6 : Other income

Other income generated is less than budget due to less fines and penalties imposed. There are improved levels of compliance by estate agents.

Note 7: Employee costs

The employee costs are below budget due to cost containment measures implemented. This include filling of non-key positions with internship capacity as well as optimisation of current employee job profiles.

Note 8: Board members remuneration

Board members remuneration was less than budgeted due to less number of meetings. All Board members' term of office ended 31 December 2015 and no meetings were held in the last quarter.

Note 9: Administration costs

Administrative costs were more than budgeted due to increased expenditure on accounting professional development. It was deemed necessesary during the year to increase the number of events in respect of the continuing professional development in order to cater for estate agents who registered late for the training.

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS...continued

| 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 | 35 998 714 | - | **35 998 714** | 18 066 789 | **(17 931 925)** | Note 1 |
| Management fee | 51 492 817 | - | **51 492 817** | 51 681 120 | **188 303** | Note 2 |
| Investment income | 1 980 630 | - | **1 980 630** | 2 312 368 | **331 738** | Note 3 |
| Examinations | 19 208 800 | - | **19 208 800** | 34 467 430 | **15 258 630** | Note 4 |
| Other income | 9 681 707 | - | **9 681 707** | 9 039 499 | **(642 208)** | Note 5 |
| **Total revenue from exchange transactions** | **118 362 668** | **-** | **118 362 668** | **115 567 206** | **(2 795 462)** | |
| **Expenditure** | | | | | | |
| Employee costs | (73 157 676) | - | **(73 157 676)** | (66 521 507) | **6 636 169** | Note 6 |
| Board members remuneration | (3 148 944) | - | **(3 148 944)** | (1 233 324) | **1 915 620** | Note 7 |
| Administrative costs | (37 015 149) | - | **(37 015 149)** | (47 674 915) | **(10 659 766)** | Note 8 |
| **Total expenditure** | **(113 321 769)** | **-** | **(113 321 769)** | **(115 429 746)** | **(2 107 977)** | |
| **Operating surplus** | **5 040 899** | **-** | **5 040 899** | **137 460** | **(4 903 439)** | |
| Gain on non-current assets held for sale or disposal groups | - | - | **-** | 1 024 | **1 024** | |
| **Surplus/(deficit)** | **5 040 899** | **-** | **5 040 899** | **138 484** | **(4 902 415)** | |

**NOTES**

Note1: FFC Contributions

FFC Contributions was less than budget due to the unexpected delays in the finalisation of increase levies for FFC contributions. In is envisages that the increased levies would be finalised and gazzetted during the first quarter of the next financial year.

Note 2: Management fee

Budget for management fees is based on the projected growth of the net asset value of the Fidelity Fund. The revenue generated from management fee was fairly on target.

Note 3: Investment Income

More interest was received than budgeted; due to an increase in the interest rate (Reserve Bank increased interest rates during the year.

Note 4: Examinations

Income from examinations was more than expected due to the income genarated from Continued Professional Development programme ("CPD") as a result of earlier than envisaged full implementation of the CPD.

Note 5: Other income

Other income generated was less than budgeted due to less fines and penalties imposed. There was an improved levels of compliance by estate agents.

Note 6: Employee costs

The employee costs are below budget due to cost containment measures implemented. This include filling non-key positions with internship capacity as well as otimisation of current employee job profiles.

Note 7: Board members remuneration

Board members remuneration was less than budgeted due to less number of meetings. All Board members' term of office ended 31 December 2015 and no meetings were held in the last quarter.

Note 8: Administration costs

Administration costs were more than budgeted due to increased expenditure on continuing professional development. It was deemed necessary during the year to increase the number of events in respect of the continuing professional development in order to cater for estate agents who registered late for the training.

# 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 Going concern assumption

These financial statements have been prepared based on the expectation that the Group will continue to operate as a going concern for at least the next 12 months.

### 1.2 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

### 1.3 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 controlling entity and its controlled entity, Estate Agents Fidelity Fund ("EAFF") presented as those of a single entity.

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

The results of controlled entities, 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 controlling entity and its controlled entities 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 controlled entities 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.

### 1.4 Significant judgements, estimates and assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting 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 and intangibles 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. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

**Fair values**

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. Where nterest is not accrued, estimates and judgments is required for interest rate to be used.

**Provisions**

Provisions are measured as the present value of the estimated future outflow required to settle the obligations. In the process of determining the best estimate of the amounts that will be required in the future to settle the provision management consideres the weighted avarage probability of the potential outcomes of the provision raised.This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11.

**Allowance for doutful debts**.

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.

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

**Pension and other post-employment benefits**

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

### 1.5 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 economic 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.

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

| **Item** | **Depreciation method** | **Average useful life** |
|---|---|---|
| Land | Straight line | Indefinite |
| Buildings | Straight line | 40 - 50 years |
| Furniture and fixures | Straight line | 10 - 15 years |
| Motor vehicles | Straight line | 5 - 11 years |
| Office equipment | Straight line | 3 - 10 years |
| Computer equipment | Straight line | 3 - 15 years |
| Leasehold improvements | Straight line | 3 - 5 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.

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.

## 1.6 Financial instruments

### Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial instruments at fair value;
- Financial instruments at cost; and
- Financial instruments 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

### Initial recognition

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, it becomes a party to the contractual provisions of the instrument.

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 and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

### Initial measurement

Financial instruments are measured initially at fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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.

### Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

### Financial Instrument at fair value.

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 techniques.

- Derivatives.
- Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.
- Instruments held for trading.

- Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.
- An investment in a residual interest for which fair value can be measured reliably.

**Financial instruments at amortised cost**

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

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

**Financial instruments at cost**

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably.The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

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 ( amortised / cost ) 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.

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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.

**Gain 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.

**Offsetting**

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

**Derecognisition**

A financial asset is derecognised at trade date, when: The cash flows from the asset expire, are settled or waived; a) Significant risks and rewards are transferred to another party; or b) Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

**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 plus transaction costs that are directly attributable to the acquisition, subsequently stated at amortised cost using the effective interest rate method, less provision for impairment. 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 plus transaction costs that are directly attributable to the acquisition, 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, cash with the banks and demand deposits. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

### 1.7 Tax

**Tax expenses**

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

### 1.8 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.

**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.

### 1.9 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.

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.

### 1.10 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.

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 - 15 years |
| Computer software, internally generated | 5 - 15 years |

### 1.11 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 2015/04/01 to 2016/03/31.

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.

**1.12 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.

**Defined benefit plans**

The economic entity 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 surplus or deficit 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.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Plan assets included in the defined benefit plan asset or liabilities recognised are measured at their fair values. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of any defined benefit asset recognised is limited to the sum of any past service costs and actuarial gains and losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

**Other post retirement obligations**

The economic 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.

### 1.13 Provisions and contingencies

Provisions are recognised when:
- the economic 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 21.

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.

### 1.14 Related parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

The economic entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government.

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

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

**1.15 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

**Recognition**

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:
a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) 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.

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.

Revenue from CPD is recognised when estate agents enrolled and paid.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**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**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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;
- The stage of completion of the transaction at the reporting date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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**

Revenue arising from the use by others of entity assets yielding interest and royalties is recognised as follows:

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

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.

### 1.16 Events after reporting date

Events after 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:

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

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.17 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.

### 1.18 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.

**1.19 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.

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | 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 statements thereto have been issued by the Accounting Standard Board, but will only become effective in future periods or have not been given an effective date by the Minister of Finance. The Board 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, read with Directive 5:

**GRAP 20**: Related Party Disclosures. No effective date has been determined and there is no significant impact on the financial statements.
**GRAP 32**: Service Concession Arrangements. No effective date has been determined and there is no significant impact on the financial statements.
**GRAP108**: Satutory Receivables. No effective date has been determined and there is no significant impact on the financial statements.
**GRAP 109**: Accounting by Principals and Agents. No effective date has been determined and there is no significant impact on the financial statements.

**3. Property, plant and equipment**

| Group | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 44 000 000 | - | 44 000 000 | 15 925 800 | - | 15 925 800 |
| Buildings | 62 367 949 | (4 367 948) | 58 000 001 | 57 516 716 | (2 726 653) | 54 790 063 |
| Leasehold property | 395 863 | (27 114) | 368 749 | - | - | - |
| Furniture and fixtures | 2 059 595 | (1 152 182) | 907 413 | 1 692 265 | (999 462) | 692 803 |
| Motor vehicles | 513 360 | (139 152) | 374 208 | 513 360 | (36 616) | 476 744 |
| Office equipment | 2 059 667 | (1 462 767) | 596 900 | 1 932 079 | (1 001 718) | 930 361 |
| Computer equipment | 2 906 743 | (1 907 971) | 998 772 | 2 231 343 | (1 451 549) | 779 794 |
| **Total** | **114 303 177** | **(9 057 134)** | **105 246 043** | **79 811 563** | **(6 215 998)** | **73 595 565** |

| Board | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 44 000 000 | - | 44 000 000 | 15 925 800 | - | 15 925 800 |
| Buildings | 62 367 949 | (4 367 948) | 58 000 001 | 57 516 716 | (2 726 653) | 54 790 063 |
| Leasehold property | 395 863 | (27 114) | 368 749 | - | - | - |
| Furniture and fixtures | 2 059 595 | (1 152 182) | 907 413 | 1 692 265 | (999 462) | 692 803 |
| Motor vehicles | 513 360 | (139 152) | 374 208 | 513 360 | (36 616) | 476 744 |
| Office equipment | 2 059 667 | (1 462 767) | 596 900 | 1 932 079 | (1 001 718) | 930 361 |
| Computer equipment | 2 906 743 | (1 907 971) | 998 772 | 2 231 343 | (1 451 549) | 779 794 |
| **Total** | **114 303 177** | **(9 057 134)** | **105 246 043** | **79 811 563** | **(6 215 998)** | **73 595 565** |

## Reconciliation of property, plant and equipment - Group - 2016

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

| | Opening balance | Additions | Disposals | Write offs | Revaluations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 15 925 800 | - | - | - | 28 074 200 | - | - | 44 000 000 |
| Buildings | 54 790 063 | 2 450 713 | - | - | 2 232 400 | (1 473 175) | - | 58 000 001 |
| Leasehold property | - | 395 863 | - | - | - | (27 114) | - | 368 749 |
| Furniture and fixtures | 692 803 | 367 330 | - | - | - | (149 610) | (3 110) | 907 413 |
| Motor vehicles | 476 744 | - | - | - | - | (102 536) | - | 374 208 |
| Office equipment | 930 361 | 127 588 | - | - | - | (458 456) | (2 593) | 596 900 |
| Computer equipment | 779 794 | 731 306 | (1 036) | (16 641) | - | (466 960) | (27 691) | 998 772 |
| | **73 595 565** | **4 072 800** | **(1 036)** | **(16 641)** | **30 306 600** | **(2 677 851)** | **(33 394)** | **105 246 043** |

## Reconciliation of property, plant and equipment - Group - 2015

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Land | 15 925 800 | - | - | - | - | 15 925 800 |
| Buildings | 55 568 927 | 646 476 | - | (1 425 340) | - | 54 790 063 |
| Furniture and fixtures | 637 273 | 192 616 | (21 874) | (115 212) | - | 692 803 |
| Motor vehicles | 43 738 | 511 479 | (16 180) | (62 293) | - | 477 057 |
| Office equipment | 580 429 | 782 035 | - | (432 103) | - | 946 161 |
| Computer equipment | 620 447 | 560 947 | (1 802) | (390 844) | (8 954) | 841 821 |
| | **73 376 614** | **2 693 553** | **(39 856)** | **(2 425 792)** | **(8 954)** | **73 673 705** |

### Reconciliation of property, plant and equipment - Board - 2016

| | Opening balance | Additions | Disposals | Write offs | Revaluations | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|---|---|
| Land | 15 925 800 | - | - | - | 28 074 200 | - | - | 44 000 000 |
| Buildings | 54 790 063 | 2 450 713 | - | - | 2 232 400 | (1 473 175) | - | 58 000 001 |
| Leasehold property | - | 395 863 | - | - | - | (27 114) | - | 368 749 |
| Furniture and fixtures | 692 803 | 367 330 | - | - | - | (149 610) | (3 110) | 907 413 |
| Motor vehicles | 476 744 | - | - | - | - | (102 536) | - | 374 208 |
| Office equipment | 930 361 | 127 588 | - | - | - | (458 456) | (2 593) | 596 900 |
| Computer equipment | 779 794 | 731 306 | (1 036) | (16 641) | - | (466 960) | (27 691) | 998 772 |
| | **73 595 565** | **4 072 800** | **(1 036)** | **(16 641)** | **30 306 600** | **(2 677 851)** | **(33 394)** | **105 246 043** |

### Reconciliation of property, plant and equipment - Board - 2015

| | Opening balance | Additions | Disposals | Depreciation | Impairment loss | Total |
|---|---|---|---|---|---|---|
| Land | 15 925 800 | - | - | - | - | 15 925 800 |
| Buildings | 55 568 927 | 646 476 | - | (1 425 340) | - | 54 790 063 |
| Furniture and fixtures | 637 273 | 192 616 | (21 874) | (115 212) | - | 692 803 |
| Motor vehicles | 43 738 | 511 479 | (16 180) | (62 293) | - | 476 744 |
| Office equipment | 580 429 | 782 035 | - | (432 103) | - | 930 361 |
| Computer equipment | 620 447 | 560 947 | (1 802) | (390 844) | (8 954) | 779 794 |
| | **73 376 614** | **2 693 553** | **(39 856)** | **(2 425 792)** | **(8 954)** | **73 595 565** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

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

**Revaluations**

During the year under review, the economic entity has conducted revaluations of the land and buildings to determine its fair value. The total value of the land and buildings was estimated at R102 million.

The effective date of the revaluations was 31 March 2016. Revaluations were performed by independent valuator, Mr. B. Morgan (N. Dip TechSA, MIV), of C2C Valuations. C2C Valuations is not connected to the EAAB and its controlled entity.

The valuation was performed using the discounted cash flow approach, and the following assumptions were used:

Discount rate at 8.5%.
Rental Collection Fee at 5%.
Vacancy at 2%.

These assumptions were based on current market conditions.

The carrying value of the revalued assets under the cost model would have been:

| | | | | |
|---|---|---|---|---|
| Land | 15 925 800 | 15 925 800 | 15 925 800 | 15 925 800 |
| Buildings | 55 767 600 | 54 790 063 | 55 767 600 | 54 790 063 |

**Change in estimates**

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 R12 524 in the current year. The effect in the subsequent financial year will result in an increase in depreciation of R43 707.

### 4. Intangible assets

| Group | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Intellectual property | 781 837 | (773 953) | 7 884 | 781 837 | (662 262) | 119 575 |
| Computer software | 6 746 155 | (4 911 192) | 1 834 963 | 6 371 851 | (4 168 747) | 2 203 104 |
| **Total** | **7 527 992** | **(5 685 145)** | **1 842 847** | **7 153 688** | **(4 831 009)** | **2 322 679** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

**4. Intangible assets (continued)**

| Board | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Intellectual property | 781 837 | (773 953) | 7 88 | 781 837 | (662 262) | 119 575 |
| Computer software | 6 746 155 | (4 911 192) | 1 834 963 | 6 371 851 | (4 168 747) | 2 203 104 |
| **Total** | **7 527 992** | **(5 685 145)** | **1 842 847** | **7 153 688** | **(4 831 009)** | **2 322 679** |

**Reconciliation of intangible assets - Group - 2016**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 119 575 | - | (111 691) | 7 884 |
| Computer software | 2 203 104 | 374 304 | (742 445) | 1 834 963 |
| | **2 322 679** | **374 304** | **(854 136)** | **1 842 847** |

**Reconciliation of intangible assets - Group - 2015**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 229 952 | - | (110 377) | 119 575 |
| Computer software | 1 824 856 | 1 052 679 | (674 431) | 2 203 104 |
| | **2 054 808** | **1 052 679** | **(784 808)** | **2 322 679** |

**Reconciliation of intangible assets - Board - 2016**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 119 575 | - | (111 691) | 7 884 |
| Computer software | 2 203 104 | 374 304 | (742 445) | 1 834 963 |
| | **2 322 679** | **374 304** | **(854 136)** | **1 842 847** |

**Reconciliation of intangible assets - Board - 2015**

| | Opening balance | Additions | Amortisation | Total |
|---|---|---|---|---|
| Intellectual property | 229 952 | - | (110 377) | 119 575 |
| Computer software | 1 824 856 | 1 052 679 | (674 431) | 2 203 104 |
| | **2 054 808** | **1 052 679** | **(784 808)** | **2 322 679** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |
| **5. Loan fund - Fidelity Fund** | | | | |
| **Managed and controlled entities** | | | | |
| Estate Agents Fidelity Fund | - | - | 14 328 538 | 12 497 297 |

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**

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| **Designated at fair value** | | | | |
| Liberty Life | 138 259 781 | 127 634 465 | - | - |

This investments consist of Liberty Life's unlisted property fund, with returns derived from rental and capital appreciation generated from the underlying assets. This investment is renewable on a monthly basis and has an everage return of 10.43% per annum.

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| **At amortised cost** | | | | |
| Nedbank | - | 166 605 794 | - | - |
| Absa | - | 84 955 918 | - | - |
| Investec | - | 104 719 669 | - | - |
| Standard Bank | - | 24 735 470 | - | - |
| | **-** | **381 016 851** | **-** | **-** |
| **Current assets** | | | | |
| At fair value | 138 259 781 | 127 634 465 | - | - |
| At amortised cost | - | 381 016 851 | - | - |
| | **138 259 781** | **508 651 316** | **-** | **-** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | 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 54% (2015: 51%) 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 12 May 2016 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:**

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| **Carrying value** | | | | |
| Fair value of plan assets | 104 957 000 | 94 658 000 | 104 957 000 | 94 658 000 |
| Present value of the defined benefit obligation-wholly unfunded | (95 051 000) | (96 313 000) | (95 051 000) | (96 313 000) |
| | **9 906 000** | **(1 655 000)** | **9 906 000** | **(1 655 000)** |
| Non-current assets | 9 906 000 | - | 9 906 000 | - |
| Non-current liabilities | - | (1 655 000) | - | (1 655 000) |
| | **9 906 000** | **(1 655 000)** | **9 906 000** | **(1 655 000)** |

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

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Opening balance | 96 313 000 | 76 936 000 | 96 313 000 | 76 936 000 |
| Contributions by plan participants | 8 559 000 | 6 054 000 | 8 559 000 | 6 054 000 |
| Interest costs | 8 665 000 | 7 150 000 | 8 665 000 | 7 150 000 |
| Benefits paid | (4 206 000) | (1 832 000) | (4 206 000) | (1 832 000) |
| Actuarial (gain)/loss at end of year | (14 280 000) | 8 005 000 | (14 280 000) | 8 005 000 |
| | **95 051 000** | **96 313 000** | **95 051 000** | **96 313 000** |

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

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Current service cost | 6 741 000 | 6 054 000 | 6 741 000 | 6 054 000 |
| Past service cost | 4 796 000 | - | 4 796 000 | - |
| Interest cost | 8 665 000 | 7 150 000 | 8 665 000 | 7 150 000 |
| Actuarial (gains) losses | (19 416 000) | 8 005 000 | (19 416 000) | 8 005 000 |
| Curtailment | - | (223 000) | - | (223 000) |
| Expected return on plan assets | (8 399 000) | (13 267 000) | (8 399 000) | (13 267 000) |
| | **(7 613 000)** | **7 719 000** | **(7 613 000)** | **7 719 000** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

**7. Employee benefit obligations (continued)**

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

| | | | | |
|---|---|---|---|---|
| Opening balance | 94 658 000 | 76 130 000 | 94 658 000 | 76 130 000 |
| Current contributions | 7 579 000 | 7 039 000 | 7 579 000 | 7 039 000 |
| Current year benefits paid | (4 206 000) | (1 832 000) | (4 206 000) | (1 832 000) |
| Current year expenses | (1 813 000) | (1 238 000) | (1 813 000) | (1 238 000) |
| Current year interest income | 8 399 000 | 7 072 000 | 8 399 000 | 7 072 000 |
| Asset adjustments | - | 1 821 000 | - | 1 821 000 |
| Actuarial gain/(loss) at end of year | 340 000 | 5 666 000 | 340 000 | 5 666 000 |
| | **104 957 000** | **94 658 000** | **104 957 000** | **94 658 000** |

**Key assumptions used**

Assumptions used at the reporting date:

| | | | | |
|---|---|---|---|---|
| Discount rates used | 10,45% | 8,80% | 10,45% | 8,80% |
| Expected rate of return on assets | 10,45% | 8,80% | 10,45% | 8,80% |
| Expected increase in salaries | 9,33% | 7,94% | 9,33% | 7,94% |
| Expected pension increases | 6,25% | 6,00% | 6,25% | 6,00% |
| Expected pension increases (Current pensioners) | 8,33% | 6,00% | 8,33% | 6,00% |
| Marital status at retirement | 90,00% | 90,00% | 90,00% | 90,00% |

**Post retirement medical aid benefit**

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

The most recent actuarial valuations of the post employment medical aid benefits were carried out on 12 May 2016 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.

| | | | | |
|---|---|---|---|---|
| Current portion of post-retirement medical aid liability | 440 000 | 401 000 | 440 000 | 401 000 |
| Non-current portion of post-retirement medical aid liability | 8 556 000 | 7 579 000 | 8 556 000 | 7 579 000 |
| | **8 996 000** | **7 980 000** | **8 996 000** | **7 980 000** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | | 2015 |
| | R | R | R | R |
| **7. Employee benefit obligations (continued)** | | | | |
| **Post retirement medical aid benefit obligation** | | | | |
| Opening balance | 7 980 000 | 7 802 000 | 7 980 000 | 7 802 000 |
| Interest Cost | 698 000 | 747 000 | 698 000 | 747 000 |
| Current service cost | 138 000 | 149 000 | 138 000 | 149 000 |
| Benefits paid | (401 000) | (393 000) | (401 000) | (393 000) |
| Actuarial (gain)/loss | 581 000 | (325 000) | 581 000 | (325 000) |
| | **8 996 000** | **7 980 000** | **8 996 000** | **7 980 000** |
| **Net expense recognised in the statement of financial performance** | | | | |
| Current service cost | 138 000 | 149 000 | 138 000 | 149 000 |
| Interest cost | 698 000 | 747 000 | 698 000 | 747 000 |
| Actuarial (gains) losses | 581 000 | (325 000) | 581 000 | (325 000) |
| | **1 417 000** | **571 000** | **1 417 000** | **571 000** |

Assumptions used at the reporting date:

| | | | | |
|---|---|---|---|---|
| Discount rates used | 9,96% | 8,89% | 9,96% | 8,89% |
| CPI Inflation | 7,98% | 7,05% | 7,98% | 7,05% |
| Medical inflation | 8,98% | 8,05% | 8,98% | 8,05% |

**8. Inventories**

| | | | | |
|---|---|---|---|---|
| Study material stock | 306 620 | 129 051 | 306 620 | 129 051 |

**9. Trade and other receivables from exchange transactions**

| | | | | |
|---|---|---|---|---|
| Trade debtors | 1 576 431 | 524 454 | 476 135 | 55 635 |
| Prepayments | 4 712 011 | 1 794 539 | 4 703 931 | 1 759 104 |
| Deposits | 150 000 | 150 000 | 150 000 | 150 000 |
| Accrued interest | 874 609 | 2 614 267 | - | - |
| Amounts recoverable in respect of one learner project | 9 858 975 | - | - | - |
| Other receivables | 203 010 | 307 723 | 203 010 | 307 723 |
| | **17 375 036** | **5 390 983** | **5 533 076** | **2 272 462** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

**9. Trade and other receivables from exchange transactions (continued)**

**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 unless the recoverability is uncertain. At 31 March 2016, R 220 731 (2015: R 119 587) were past due but not impaired.
The ageing of amounts past due but not impaired is as follows:

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| 1 month past due | 765 846 | 70 317 | 109 000 | - |
| 2 months past due | 1 363 999 | 49 270 | 93 086 | - |
| 3 months past due | 71 748 | - | 18 645 | - |

**Trade and other receivables impaired**

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

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Movements in Impairment of trade and other receivables | 432 073 | 8 835 358 | (704 936) | 1 601 857 |

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

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Opening balance | 29 035 211 | 20 199 853 | 4 166 264 | 2 564 407 |
| Provision for impairment | 5 634 978 | 8 835 358 | (133 853) | 1 601 857 |
| Amounts written off as uncollectible | (5 202 905) | - | (571 083) | - |
| | **29 467 284** | **29 035 211** | **3 461 328** | **4 166 264** |

**10. Cash and cash equivalents**

Cash and cash equivalents consist of:

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Cash on hand | 13 648 | 5 533 | 13 648 | 5 532 |
| Bank balances | 13 550 430 | 19 309 831 | 10 345 609 | 16 665 792 |
| Short-term deposits | 23 168 958 | 31 353 199 | 23 168 958 | 31 353 199 |
| Other cash and cash equivalents | 454 618 800 | 82 762 958 | - | - |
| | **491 351 836** | **133 431 521** | **33 528 215** | **48 024 523** |

Other cash and cash equivalents represents investments that were on short term or call accounts investments at year end.

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

## 11. Provisions

**Reconciliation of provisions - Group - 2016**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 1 336 475 | 67 058 | (1 336 475) | 67 058 |
| Leave pay provision | 3 950 657 | 3 041 571 | (2 306 166) | 4 686 062 |
| | **5 287 132** | **3 108 629** | **(3 642 641)** | **4 753 120** |

**Reconciliation of provisions - Group - 2015**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 1 257 445 | 1 336 475 | (1 257 445) | 1 336 475 |
| Leave pay provision | 2 648 169 | 3 950 657 | (2 648 169) | 3 950 657 |
| | **3 905 614** | **5 287 132** | **(3 905 614)** | **5 287 132** |

**Reconciliation of provisions - Board - 2016**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Leave pay provision | 3 950 657 | 3 041 571 | (2 306 166) | 4 686 062 |

**Reconciliation of provisions - Board - 2015**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Leave pay provision | 2 648 169 | 3 950 657 | (2 648 169) | 3 950 657 |

## 12. Trade and other payables from exchange transactions

| | | | | |
|---|---|---|---|---|
| Trade payables | 3 447 437 | 3 286 793 | 3 447 437 | 3 286 793 |
| Unallocated deposits | 6 275 581 | 5 002 524 | 3 501 226 | 4 052 670 |
| Estate agents funds received in advance | 22 333 785 | 18 450 336 | 14 775 960 | 11 236 872 |
| Accrued expense | 6 562 834 | 4 924 362 | 2 202 978 | 3 979 244 |
| Deposits held on operating lease | 248 625 | 312 375 | 248 625 | 312 375 |
| | **38 868 262** | **31 976 390** | **24 176 226** | **22 867 954** |

| | Group | | Board | |
|---|---|---|---|---|
| | **2016** | **2015** | **2016** | **2015** |
| | **R** | **R** | **R** | **R** |
| **13. Revenue from exchange transactions** | | | | |
| Contributions - Principal | 6 513 908 | 7 051 955 | 6 513 908 | 7 051 955 |
| Contributions - Full status estate agents | 5 839 823 | 5 720 381 | 3 960 593 | 4 159 475 |
| Contributions - Intern estate agents | 7 592 288 | 6 334 453 | 7 592 288 | 6 334 453 |
| Interest received on trust funds | 31 015 362 | 27 796 440 | - | - |
| Management fees | - | - | 51 681 120 | 51 409 176 |
| Interest received on investments | 39 224 649 | 39 724 989 | - | - |
| Income from examinations | 34 467 430 | 11 629 566 | 34 467 430 | 11 629 566 |
| | **124 653 460** | **98 257 784** | **104 215 339** | **80 584 625** |
| **14. Other income** | | | | |
| Claims recoverable | 2 521 906 | 3 549 305 | - | - |
| Penalties and fines | 3 972 002 | 6 576 552 | 3 972 002 | 6 576 552 |
| Interest other | 171 035 | 293 701 | - | - |
| Royalties and amendments | 3 889 521 | 3 323 425 | 3 889 521 | 3 323 425 |
| Other income | 1 177 976 | 1 586 392 | 1 177 976 | 1 586 392 |
| | **11 732 440** | **15 329 375** | **9 039 499** | **11 486 369** |
| **15. Operating expenses** | | | | |
| Legal expenses | 2 716 833 | 4 083 632 | 820 982 | 961 430 |
| Claims expenses | 6 250 141 | 4 497 259 | - | - |
| Consulting and professional services | 2 522 138 | 6 923 848 | 2 229 124 | 6 923 848 |
| Training and development | 1 511 822 | 1 926 194 | 1 511 822 | 1 926 194 |
| CPD Expenses | 9 598 951 | 185 850 | 9 598 951 | 185 850 |
| Travelling expenses | 4 691 279 | 4 382 849 | 4 691 279 | 4 382 849 |
| Provision for doubtful debts | 5 064 174 | 8 835 357 | (133 855) | 1 601 857 |
| Repairs and maintenance | 1 256 843 | 1 219 580 | 1 256 843 | 1 219 580 |
| Rates and taxes | 1 052 182 | 1 311 285 | 1 052 182 | 1 311 285 |
| Telephone and telex | 3 431 250 | 3 110 986 | 3 431 250 | 3 110 986 |
| Call centre services | 2 665 071 | 3 388 700 | 2 665 071 | 3 388 700 |
| Venue hire | 5 314 868 | 222 838 | 5 314 868 | 222 838 |
| Publications and awarenesscampaigns | 4 177 064 | 3 043 941 | 1 088 202 | 638 730 |
| Transformation costs | 1 302 032 | - | - | - |
| Staionery and printing | 2 218 627 | 1 589 081 | 2 218 627 | 1 589 081 |
| Internal audit fees | 886 238 | 586 508 | 886 238 | 586 508 |
| Software license and maintenance | 1 044 522 | 966 480 | 1 044 522 | 966 480 |
| Insurance | 555 938 | 759 825 | 555 938 | 147 763 |
| Bank charges | 907 003 | 571 281 | 876 582 | 557 281 |
| Water and electricity | 551 890 | 638 262 | 551 890 | 638 262 |
| Security services | 800 270 | 735 702 | 800 270 | 735 702 |
| Office cleaning | 322 899 | 401 004 | 322 899 | 401 004 |
| Other expenses | 2 014 552 | 2 251 161 | 2 014 552 | 2 251 161 |
| | **60 856 587** | **51 631 623** | **42 798 237** | **33 747 389** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

## 16. Employee related costs

| | | | | |
|---|---|---|---|---|
| Basic | 54 205 039 | 43 299 109 | 54 205 039 | 43 299 109 |
| Bonus | 1 640 709 | - | 1 640 709 | - |
| Medical aid - company contributions | 4 824 364 | 4 373 128 | 4 824 364 | 4 373 128 |
| UIF | 210 807 | 174 001 | 210 807 | 174 001 |
| SDL | 580 964 | 433 366 | 580 964 | 433 366 |
| Other valuation adjustments | 8 916 244 | (2 214 000) | 8 916 244 | (2 214 000) |
| Leave pay provision charge | 1 174 635 | 1 791 428 | 1 174 635 | 1 791 428 |
| Defined benefit plan net expenses | (6 196 000) | 8 715 762 | (6 196 000) | 8 715 762 |
| Overtime and temporary staff | 233 745 | 20 829 | 233 745 | 20 829 |
| Post-medical aid benefits net expenses | 836 000 | 571 000 | 836 000 | 571 000 |
| Long-service awards | 95 000 | 95 000 | 95 000 | 95 000 |
| | **66 521 507** | **57 259 623** | **66 521 507** | **57 259 623** |

## 17. Impairment loss

| | | | | |
|---|---|---|---|---|
| **Impairments and asset write offs** | | | | |
| Property, plant and equipment | 50 035 | 8 954 | 50 035 | 8 954 |

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

## 18. Operating lease

| | | | | |
|---|---|---|---|---|
| **Minimum lease payments due** | | | | |
| - within one year | 887 679 | 720 983 | 887 679 | 720 983 |
| - in second to fifth year inclusive | 811 735 | 645 684 | 811 735 | 645 684 |
| | **1 699 414** | **1 366 667** | **1 699 414** | **1 366 667** |

**Fibre Optic Line - Voice**

The Board leased a fibre optic line for transmission of data and voice at its main offices for a period of five years effective from 26 November 2012. The lease payment is R27 727 per month with annual escalation of 15%. No contingent rent is payable and the lease is not renewable at the end of the lease term.

**Photocopy Machine**

The Board leased a photo copy machine for a period of three years effective from 27 February 2014. The lease payment is R10 806 per month with no annual escalation. No contingent rent is payable and the lease is not renewable at the end of the lease term.

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

**18. Operating lease (continued)**

**Leasehold premises**

The Board opened a satalite office in Cape Town and leased premises for a period of three years effective from 01 November 2015. The lease amount is R16 373 per month with 8% annual escalation. No contingent rent is payable and the lease is renewable for a further two years at the end of the lease term.

**Nestle Vending Machines**

Vending machines are leased for a period of three years effective from 04 December 2015. The lease payment is R360 per month with no annual escalation. No contingent rent is payable and the lease is not renewable at the end of the lease term.

**Office Plants**

Office plants are leased for a period of three years effective from 01 December 2015. The lease payment is R5 841 per month with no annual escalation. No contingent rent is payable and the lease is not renewable at the end of the lease term.

**Virtual Server**

Virtual Server is leased for a period of three years effective from 04 June 2015. The lease payment is R13 320 per month with no annual escalation. No contingent rent is payable and the lease is not renewable at the end of the lease term.

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

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| Surplus (deficit) | 4 741 587 | 419 151 | 138 484 | (2 602 410) |
| Adjustments for: | | | | |
| Depreciation and amortisation | 3 531 987 | 3 210 602 | 3 531 987 | 3 210 602 |
| (Profit)/Loss on sale of assets | - | 18 859 | - | 18 859 |
| Gain on sale of non-current assets | (1 024) | (110 557) | (1 024) | (110 557) |
| Impairment deficit | 50 035 | 8 954 | 50 035 | 8 954 |
| Movements in retirement benefit assets and liabilities | (11 561 000) | 849 000 | (11 561 000) | 849 000 |
| Movements in provisions | (534 012) | 1 381 518 | 735 405 | 1 302 488 |
| Movements in post-retirement medical aid liabilities | 1 016 000 | 178 000 | 1 016 000 | 178 000 |
| Other non-cash items | (460) | (1 826) | (460) | (1 825) |
| **Changes in working capital:** | | | | |
| Inventories | (177 569) | 235 033 | (177 569) | 235 033 |
| Trade and other receivables from exchange transactions | (11 984 053) | 3 245 583 | (3 260 614) | 1 667 653 |
| Trade and other payables from exchange transactions | 6 891 873 | 662 711 | 1 308 272 | 2 220 445 |
| | **(8 026 636)** | **10 097 028** | **(8 220 484)** | **6 976 242** |

**20. Commitments**

**Authorised operating expenditure**

| | Group 2016 R | Group 2015 R | Board 2016 R | Board 2015 R |
|---|---|---|---|---|
| **Minimum lease/contract payments due** | | | | |
| - within one year | 1 884 020 | 3 685 934 | 1 884 020 | 3 685 934 |
| - in second to fifth year inclusive | 1 579 961 | 1 328 521 | 1 579 961 | 1 328 521 |
| | **3 463 981** | **5 014 455** | **3 463 981** | **5 014 455** |

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

## 21. Contingencies

**Claims against the Fidelity Fund - Pending Claims**

As at year end, the claims lodged against the Fidelity Fund which have not yet been considered amounted to R1 648 144. These claims will be considered by the Board subsequent to year end the the outcome of such consideration is unknown.

**Civil Claims against the Fidelity Fund**

A number of civil claims have been instituted against the Fidelity Fund. The total estimated value of the claims are R4 206 265 and the likely outcome of these cases is unknown.

**Civil claims against the Board**

A number of civil claims have been instituted against the Board. The total estimated value of the claims are R47 million and the likely outcome of these cases is unknown.

**Pension Fund Conversion Cost**

The Board has resolved to convert the pension fund scheme from defined benefit to defined contribution plans. The estimated cost of conversion is R19.3 million. However, the conversion is subject to consultation with, and approval by at least 75% of the staff members under defined benefit plan.

## 22. Related parties

**Relationships**

| | |
|---|---|
| Board members and key management personnel | Refer to members' emoluments, note 23 |
| Controlled entities | Estate Agents Fidelity Fund controlled in terms of the Estate Agency Affairs Act. Refer to note 5 |
| Public entities and departments | South African Revenue Services |

**Related party balances**

| | | | | |
|---|---|---|---|---|
| **Loan accounts - Owing by related parties** | | | | |
| The Estate Agents Fidelity Fund | | | 14 328 538 | 12 497 297 |

**Related party transactions**

| | | | | |
|---|---|---|---|---|
| **Administration fees received from related parties** | | | | |
| The Estate Agents Fidelity Fund | | | (51 681 120) | (51 409 176) |
| **Employee taxes paid to related parties** | | | | |
| South African Revenue Services | | | 15 538 796 | 12 896 367 |
| **Interest received from related parties** | | | | |
| The Estate Agents Fidelity Fund | | | (455 398) | (610 371) |

**Figures in Rands**

**23. Members' emoluments**

**Executive**

**2016**

| | Basic Salary | Performance Bonus | Acting Allowance | Contribution to Pension Scheme | Contribution to Medical Scheme | Other Costs | Total |
|---|---|---|---|---|---|---|---|
| Mr. Bryan Chaplog (Chief Executive Officer: Appointed 01 October 2013) | 2 060 655 | 105 204 | - | 312 394 | 63 787 | 1 006 | 2 543 046 |
| Mr. C. Ashpol (Executive Manager: Education and Training - Appointed 01 May 1983) | 744 000 | - | - | - | 28 842 | - | 772 842 |
| Ms D Mphahlele (Executive Manager: Inspections - Appointed 01 February 2013) | 1 400 032 | 85 560 | - | 330 838 | 87 892 | 36 089 | 1 940 411 |
| Mr. J. Baloyi (Acting Executive Manager - Compliance - Appointed 01 February 2013) | 1 400 032 | - | - | 278 278 | 121 744 | 54 488 | 1 854 542 |
| Mr. S. Mmotong (Chief Financial Officer - Appointed 01 February 2012) | 1 546 074 | 183 361 | 305 017 | 322 295 | 106 311 | 79 | 2 463 137 |
| Mr. N. Ndebele (Company Secretary - Appointed 10 January 2011) | 1 351 447 | 66 624 | 24 046 | 184 153 | - | 5 079 | 1 631 349 |
| Mr. N. Sigaba (Chief Risk Officer - Appointed 01 June 2010) | 1 492 824 | 75 988 | 149 795 | 226 388 | 41 268 | 6 727 | 1 992 990 |
| Mr. J. Tladi (Legal Technical Analyst - Appointed 01 August 2013)) | 1 335 258 | 140 720 | - | 133 253 | 46 951 | 79 | 1 656 261 |
| Mr. A. Arendse (Executive Manager: Operations - Appointed 01 October 2014)) | 1 365 153 | - | - | 150 309 | - | 25 451 | 1 540 913 |
| Mr. K. Ngwenya (Executive Manager: Special Projects - Appointed 01 March 2014) | 1 291 781 | - | - | - | - | - | 1 291 781 |
| | **13 987 256** | **657 457** | **478 858** | **1 937 908** | **496 795** | **128 998** | **17 687 272** |

**Figures in Rands**

**2015**

| | Basic Salary | Acting Allowance | Contribution to Pension Scheme | Contribution to Medical Scheme | Leave Termination Costs | Other Costs | Total |
|---|---|---|---|---|---|---|---|
| Mr. Bryan Chaplog (Acting Chief Executive Officer - Appointed 04 October 2010) | 1 978 661 | - | 136 400 | 58 162 | - | 1 001 | 2 174 224 |
| Mr. C. Ashpol (Executive Manager: Education and Training - Appointed 01 May 1983) | 1 355 847 | - | 269 533 | 24 855 | 426 087 | 30 059 | 2 106 381 |
| Ms. D. Mphahlele (Executive Manager - Inspections Apponted 01 October 2011 | 1 299 937 | 77 278 | 307 185 | 96 936 | - | 12 619 | 1 793 955 |
| Mr. J. Baloyi (Executive Manager - Compliance - Appointed 01 October 2011) | 1 299 937 | - | 254 625 | 127 803 | - | 12 729 | 1 695 094 |
| Mr. S. Mmotong (Chief Financial Officer - Appointed 01 February 2012) | 1 376 719 | 67 442 | 287 178 | 96 936 | - | 5 152 | 1 833 427 |
| Mr. N. Ndebele (Company Secretary - Appointed 10 January 2011) | 1 260 220 | - | 80 626 | - | - | 5 079 | 1 345 925 |
| Mr. N. Sigaba (Chief Risk Officer - Appointed 01 June 2010) | 1 386 491 | 86 392 | 95 469 | 37 721 | - | 79 | 1 606 152 |
| Mr. J. Tladi (Legal Technical Analyst - Appointed 01 August 2013)) | 1 236 028 | - | 128 092 | 42 811 | - | 6 615 | 1 413 546 |
| Ms. T.M. Dube | 606 915 | - | 69 583 | - | - | 11 317 | 687 815 |
| | **11 800 755** | **231 112** | **1 628 691** | **485 224** | **426 087** | **84 650** | **14 656 519** |

**Board Members Remuneration**

**2016**

| | Board Meetings | Committees fees | Travelling | Other fees | Total |
|---|---|---|---|---|---|
| Prof. KM Kondlo (Term ended: 31 December 2015) | 18 792 | - | 3 656 | 535 908 | 558 356 |
| Mr. S.A. Kajee (Term ended: 31 December 2015) | 10 752 | 37 488 | 4 770 | 32 688 | 85 698 |
| Adv. T.C. Maake (Term ended: 31 December 2015) | 15 984 | 42 080 | 12 030 | 74 352 | 144 446 |
| Ms. M.N. Wotini (Term ended: 31 December 2015) | 6 192 | - | 1 348 | 26 112 | 33 652 |
| Ms. S.J. Corfield (Term ended: 31 December 2015) | 12 496 | 15 984 | 5 338 | 17 036 | 50 854 |
| Mr. B.M. Nsibande ((Term ended: 31 December 2015) | 5 520 | 15 984 | 1 908 | 9 806 | 33 218 |
| Dr. M.F.R. Randera (Term ended: 31 December 2015) | 10 464 | 37 080 | 2 254 | 42 224 | 92 022 |
| Ms. S.P. Lebenya-Ntanzi (Term ended: 31 December 2015) | 5 232 | 76 497 | 3 115 | 74 608 | 159 452 |
| Mr. M.B. Damane (Term ended: 31 December 2015) | 10 752 | 36 864 | 4 706 | 23 304 | 75 626 |
| | **96 184** | **261 977** | **39 125** | **836 038** | **1 233 324** |

Figures in Rands

**23. Members' emoluments (continued)**

**2015**

| | Members' fees | Committees fees | Members' fees for services as members' of subsidiaries | Other fees (Consultancy fees to subsidiary) | Total |
|---|---|---|---|---|---|
| Prof. KM Kondlo (Chairperson - Appointed: 01 January 2013) | 39 560 | 46 608 | 5 979 | 347 772 | 439 919 |
| Mr. A.B. Mazwi (Vacated Office: 30/07/2014) | 14 832 | 11 536 | 4 117 | 42 048 | 72 533 |
| Mr. S.A. Kajee (Appointed: 01 January 2013) | 20 640 | 45 888 | 4 178 | 5 440 | 76 146 |
| Adv. T.C. Maake (Appointed: 01 January 2013) | 15 696 | 69 288 | 14 011 | 37 076 | 136 071 |
| Mr. L. Mlambo (Vacated Office: 30 July 2014) | 6 592 | 31 232 | 1 643 | 98 952 | 138 419 |
| Ms. M.N. Wotini (Deputy Chairperson - Appointed: 01 January 2013) | 24 432 | 92 232 | 36 480 | 275 047 | 428 191 |
| Ms. S.J. Corfield (Appointed: 01 January 2013) | 15 408 | 5 232 | 3 186 | 16 080 | 39 906 |
| Mr. B.M. Nsibande (Appointed: 01 January 2013) | 18 896 | 5 232 | 997 | 288 | 25 413 |
| Dr. M.F.R. Randera (Appointed: 01 January 2013) | 11 480 | 21 336 | 1 582 | 42 904 | 77 302 |
| Mr. E. R. Marivate (Vacated Office: 30 July 2014) | - | 4 944 | - | 288 | 5 232 |
| Ms. S.P. Lebenya-Ntanzi (Appointed: 01 January 2013) | 33 696 | 212 592 | 4 615 | 89 242 | 340 145 |
| Mr. M.B. Damane (Appointed: 01 January 2013) | 16 872 | 41 488 | 4 255 | 30 432 | 93 047 |
| | **218 104** | **587 608** | **81 043** | **985 569** | **1 872 324** |

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

**2016**

| | Emoluments | Total |
|---|---|---|
| Ms. K. Vundla (Chairperson) | 66 768 | 66 768 |
| Mr. M.M. Mphahlele | 20 500 | 20 500 |
| Mr. D.K. Bosa | 32 960 | 32 960 |
| Mr. T. Mapenda | 6 528 | 6 528 |
| | **126 756** | **126 756** |

**Figures in Rands**

**2015**

| | Emoluments | Total |
|---|---|---|
| Ms. K. Vundla (Chairperson | 53 760 | 53 760 |
| Mr. M.M. Mphahlele | 25 509 | 25 509 |
| Mr. P. Madisha | 40 928 | 40 928 |
| Mr. D.K. Bosa | 5 232 | 5 232 |
| | **125 429** | **125 429** |

## 24. 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 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 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.

### 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.

| | Group | | Board | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | R | R | R | R |

### 24. Risk management (continued)

**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.

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 2016, if interest rate at that date had been 50 basis points lower with all other variables held constant, surplus for the period would have been R3.1 million lower, arising mainly as a result of lower interest income on investments. If interest rate at that date had been 50 basis points higher with all other variables held constant, surplus for the period would have been R3.1 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. Events after the reporting date

Minister of Human Settlement appointed 15 board members after the reporting date on the 06 July 2016. There are no further material events after the reporting date.

Annual financial statements were authorised on the 26 July 2016.

### 27. Irregular expenditure

| | | | | |
|---|---|---|---|---|
| Opening balance | - | 3 445 715 | - | 3 445 715 |
| Add: Irregular Expenditure - current year | - | 216 183 | - | 216 183 |
| Less: Amounts condoned | - | (3 661 898) | - | (3 661 898) |
| | **-** | **-** | **-** | **-** |

# ESTATE AGENTS FIDELITY FUND

## Annual Financial Statements
*for the year ended 31 March 2016*

# INDEX

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

# STATEMENT OF RESPONSIBILITY

The Board of the Estate Agency Affairs Board (the Board) 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 financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the financial statements fairly present the state of affairs of the Estate Agents Fidelity Fund (the Fund) 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 financial statements and were given unrestricted access to all financial records and related data.

The 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 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 Fund and 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. 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 year and all employees are required to maintain the highest ethical standards in ensuring the Estate Agents Fidelity Fund's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Fund is on identifying, assessing, managing and monitoring all known forms of risk across the Fund. While operating risk cannot be fully eliminated, the Fund 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 financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement.

The Board has reviewed the Fund's cash flow forecast for the year to 31 March 2017 and, in the light of this review and the current financial position, it is satisfied that the Fund has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are 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 140 to 141.

The financial statements set out on pages 143 to 163, which have been prepared on the going concern basis, were approved by the Board on 26 July 2016 and were signed on its behalf by:

**Bryan Chaplog (CA)SA**
**Chief Executive Officer and Accounting Authority**
**As at 31 May 2016**

# INDEPENDENT AUDITORS' REPORT

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

**Introduction**

We have audited the financial statements of the Estate Agents Fidelity Fund of South Africa set out on pages 143 to 163, which comprise the statement of financial position as at 31 March 2016, the statement of financial performance, statement of changes in net assets, the statement of cash flows and the statement of comparison of budget information with actual information 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, 1999(Act No. 1 of 1999) (PFMA) 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 separate financial statements based on our audit. We conducted our audit in accordance with the 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 separate 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 judgment, 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 2016 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.

**Other matters**

We draw attention to the matter below. Our opinion is not modified in respect of this matter below:

**Expiry of the board term of office and new appointments**

We note that the previous board term of office expired on the 31st December 2015. The new board was appointed on the 6th of July 2016, subsequent to year end per note 18 in the financial statements.

**Other reports**

As part of our audit of the financial statements for the year ended 31 March 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between the reports and the audited financials we have not audited the reports and accordingly do not express an opinion on them.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for the selected objectives presented in the annual report, non-compliance with legislation and internal control. We performed tests 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.

**Predetermined objectives**

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 31 March 2016:

a) To improve the sustainability of the Fidelity Fund; on page 80.

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 objectives. 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.

We did not identify any material findings on the usefulness and reliability of the reported performance information on the above objectives.

**Additional matter**

Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

**Achievement of planned targets**

Refer to the annual performance report on pages 75 to 81 for information on the achievement of the planned targets for the year.

**Compliance with laws and legislation**

We performed procedures to obtain evidence that the public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instance of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

**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. We did not identify any significant deficiencies in internal control.

Ngubane & Co

**Ngubane & Co. (Jhb) Inc. Registered Auditors**
**Director: Edwin Chapanduka**
**Registered auditor**
**29 July 2016**

# SECRETARY'S CERTIFICATION

**Declaration by the company secretary in respect of Section 11)(1) of the Estate Agency Affairs Act**

In terms of Section 11(1) of the Estate Agency Affairs Board Act of 1976, I certify that, for the finacial year ended 31 March 2016 the Estate Agents Fidelity Fund has lodged with the Minister of Human Settlements, the annual financial statements in respect of the preceding financial year.

**Company Secretary**
**29 July 2016**

# STATEMENT OF FINANCIAL POSITION

| | Notes | 2016<br>R | 2015<br>R |
|---|---|---|---|
| **Assets** | | | |
| **Current Assets** | | | |
| Investments | 3 | 138 259 781 | 508 651 315 |
| Trade and other receivables from exchange transactions | 4 | 11 841 960 | 3 118 521 |
| Cash and cash equivalents | 5 | 457 823 621 | 85 406 997 |
| **Total Assets** | | **607 925 362** | **597 176 833** |
| **Liabilities** | | | |
| **Current Liabilities** | | | |
| Loan Fund - Estate Agency Affairs Board | 8 | 14 328 538 | 12 497 298 |
| Provisions | 6 | 67 058 | 1 336 475 |
| Other liabilities | 7 | 14 692 036 | 9 108 436 |
| **Total Liabilities** | | **29 087 632** | **22 942 209** |
| **Net Assets** | | **578 837 730** | **574 234 624** |
| **Net Assets** | | | |
| Accumulated surplus | | 578 837 730 | 574 234 624 |

# STATEMENT OF FINANCIAL PERFORMANCE

| | Notes | 2016<br>R | 2015<br>R |
|---|---|---|---|
| Revenue from exchange transactions | 9 | 72 119 241 | 69 082 335 |
| Other income | 10 | 2 692 941 | 3 843 006 |
| Operating expenses | 11 | (69 753 680) | (69 293 410) |
| **Operating surplus (deficit)** | | **5 058 502** | **3 631 931** |
| Finance costs | | (455 398) | (610 370) |
| **Surplus for the year** | | **4 603 104** | **3 021 561** |

# STATEMENT OF CHANGES IN NET ASSETS

| | Accumulated surplus | Total net assets |
|---|---|---|
| | R | R |
| **Balance at 01 April 2014** | **571 213 063** | **571 213 063** |
| Deficit for the year | 3 021 561 | 3 021 561 |
| **Balance at 01 April 2015** | **574 234 626** | **574 234 626** |
| Deficit for the year | 4 603 104 | 4 603 104 |
| **Balance at 31 March 2016** | **578 837 730** | **578 837 730** |

# CASH FLOW STATEMENT

| | Notes | 2016<br>R | 2015<br>R |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Cash receipts from estate agents | | 52 770 486 | 64 158 565 |
| **Payments** | | | |
| Cash payments to suppliers and EAAB | | (60 915 315) | (80 006 785) |
| Finance costs | | (455 398) | (610 371) |
| | | (61 370 713) | (80 617 156) |
| **Net cash flows from operating activities** | 12 | **(8 600 227)** | **(16 458 591)** |
| **Cash flows from investing activities** | | | |
| Movements in financial assets | | 381 016 500 | (25 628 386) |
| **Net cash flows from investing activities** | | **381 016 500** | **(25 628 386)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **372 416 624** | **(42 086 977)** |
| Cash and cash equivalents at the beginning of the year | | 85 406 997 | 127 493 974 |
| **Cash and cash equivalents at the end of the year** | 5 | **457 823 621** | **85 406 997** |

# 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** | 31 015 362 | **(6 084 362)** | Note 1 |
| Contributions | 1 768 846 | - | **1 768 846** | 1 879 230 | **(110 384)** | Note 2 |
| Fair value adjustments | 11 109 089 | - | **11 109 089** | 10 625 316 | **483 773** | |
| Interest on investments | 31 758 863 | - | **31 758 863** | 28 599 333 | **3 159 530** | Note 3 |
| Claims recoveries | 5 000 000 | - | **5 000 000** | 2 521 906 | **2 478 094** | Note 4 |
| Interest other | 474 872 | - | **474 872** | 171 035 | **303 837** | Note 5 |
| **Total revenue from exchange transactions** | **75 042 670** | **-** | **75 042 670** | **74 812 182** | **230 488** | |
| **Expenditure** | | | | | | |
| Legal costs | (5 500 000) | - | **(5 500 000)** | (1 891 033) | **(3 608 967)** | Note 6 |
| Transformation initiaves | (2 000 000) | - | **(2 000 000)** | (1 302 032) | **(697 968)** | Note 7 |
| Bank charges | (60 000) | - | **(60 000)** | (12 617) | **(47 383)** | |
| Claims expenses | (5 000 000) | - | **(5 000 000)** | (6 250 141) | **1 250 141** | Note 8 |
| Provision for bad debts | (3 000 000) | - | **(3 000 000)** | (5 198 029) | **2 198 029** | Note 9 |
| Interest expense | (721 627) | - | **(721 627)** | (455 398) | **(266 229)** | |
| Insurance | (100 000) | - | **(100 000)** | (17 804) | **(82 196)** | |
| Administration fees | (51 492 817) | - | **(51 492 817)** | (51 681 120) | **188 303** | |
| Consumer Education and Awareness | (3 500 000) | - | **(3 500 000)** | (424 711) | **(3 075 289)** | Note 10 |
| Stakeholder Relations | (1 400 000) | - | **(1 400 000)** | (2 320 254) | **920 254** | Note 11 |
| Publication - Agent Magazine | (1 100 000) | - | **(1 100 000)** | (343 897) | **(756 103)** | Note 12 |
| Consulting, professional fees and investigation expenses | (500 000) | - | **(500 000)** | (312 042) | **(187 958)** | |
| **Total expenditure** | **(74 374 444)** | **-** | **(74 374 444)** | **(70 209 078)** | **(4 142 079)** | |
| **Surplus (Deficit)** | **668 226** | **-** | **668 226** | **4 603 104** | **(3 934 878)** | |

# STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS Continued...

**NOTES**

Note 1: Interest on trust funds

Interest on trust funds received was more than budgeted due to improvements in the efficiency of the online audit submission system.

Note 2: Contributions

Less registration of new estate agents was realised compared to budget.

Note 3: Interest on Investment

Decreased due to majority of the investment matured during the year left on call accounts in order to explore higher return product.

Note 4: Claims recoverable and claims expense

Claims recoverable were less than budgeted for due to less claims paid and recoverable during the year under review. Claim expenses will be more than budgeted as results of claims provided for at year end and only paid after year end.

Note 5: Interest other

Due to less interest earned on the Nedbank account as result of a low bank balance.

Note 6: Legal costs

Legal cost increased due to existing matters that were in progress from the prior years. Limited matters were opened in the current year.

Note 7: Transformation initiatives

Initiatives were not undertaken during the period under review due to capacity challenges and financial constraints. Trainers have been instructed to source additional funding for the estate agents learners.Training Institutions have also been instructed to register with SETA and once funding has been secured training of estate agents learners will be trained against the program.

Note 8: Claim expenses

More claims were paid during the year.

Note 9: Provision for doubtful debts

More provision was provided during the year as a results of long outstanding claims as well as interest on trust funds.

Note 10: Consumer Education

Less consumer road shows were conducted due to CPD workshops.

Note 11: Stakeholder Awareness

Less consumer road shows were conducted due to CPD workshops.

Note 12: Agent Magazine

Expenditure on Agent magazine was less due to the insourcing of the design of the magazine. Few articles were issued during year as compared to prior year.

# 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. These accounting policies are consistent with the previous period.

### 1.1 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods

### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

### 1.3 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 financial 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 / Allowance of doubtful debts**

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.

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

The entity assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Other non financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

**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.

### 1.3 Significant judgements and estimates (continued)

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.

**Provisions**

Provisions are measured as the present value of the estimated future outflow required to settle the obligations. In the process of determining the best estimate of the amounts that will be required in the future to settle the provision management consideres the weighted avarage probability of the potential outcomes of the provision raised.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6.

**Fair value estimation**

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. Where nterest is not accrued, estimates and judgments is required for interest rate to be used.

### 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 instruments 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 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**

**Intial recognition**

The entity recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes a party to the contractual provisions of the instrument. 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 and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

**Initial measurement**

Financial instruments are measured initially at fair value plus, in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. 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.

## 1.4 Financial instruments (continued)

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

**Subsequent measurement**

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

**Financial Instrument at fair value.**

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 techniques.

-Derivatives.

-Compound instruments that are designated at fair value i.e. an instrument that includes a derivative and a non-derivative host contract.

-Instruments held for trading.

-Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition.

-An investment in a residual interest for which fair value can be measured reliably.

Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**Financial instruments at amortised cost**

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

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

**Financial instruments at cost**

Investments in residual interests, which do not have quoted market prices and for which fair value cannot be determined reliably. The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

Financial instruments at cost are subsequently measured at cost.

Trade and other receivables are carried at fair value less provisional made for impairment of these receivables. Such provision for impairment of account receivable is established if there is objective evidence that the fund will not be able to collect all amounts due according to the original terms of the receivables.

**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 (amortised / cost ) 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.

# ACCOUNTING POLICIES
Continued...

**1.4 Financial instruments (continued)**

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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.

**Gain 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.

**Offsetting**

The entity does not offset financial assets and financial liabilities in the Statement of Financial Position unless a legal right of set-off exists and the parties intend to settle on a net basis.

**Loans to (from) economic entities**

These include loans to and from controlling entities, follow 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.

**Derecognition**

A financial asset is derecognised at trade date, when: The cash flows from the asset expire, are settled or waived. Significant risks and rewards are transferred to another party. Despite having retained significant risks and rewards, the entity has transferred control of the asset to another entity.

**Receivables from exchange transactions**

Trade receivables are measured at initial recognition at fair value plus transaction costs that are directly attributable to the acquisition, subsequently stated at amortised cost using the effective interest rate method, less provision for impairment. 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 plus transaction costs that are directly attributable to the acquisition, 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 , cash with the banks and demand deposits. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in 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 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 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.

### 1.6 Provisions and contingencies (continued)

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.

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

Provisions are not recognised for future operating deficits.

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 14.

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.

### 1.7 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
b) The amount of revenue can be measured reliably; and
c) 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.

### 1.7 Revenue from exchange transactions (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- 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;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

**Interest**

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

### 1.8 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.

### 1.9 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.

### 1.9 Irregular expenditure (continued)

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 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.

### 1.10 Standards, amendments to standards and interpretations issued but not yet effective

The standards of GRAP and / or amendments disclosed in the notes of the annual financial statements which have been issued by the Accounting Standards Board will only become effective in future periods or have not been given an effective date by the Minister of Finance. The entity 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.

### 1.11 Budget information

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 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 2014/04/01 to 2015/03/31.

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.

### 1.12 Related parties

The entity has processes and controls in place to aid in the identification of related parties. A related party is a person or an entity with the ability to control or jointly control the other party or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

### 1.12 Related parties (continued)

Where transactions occurred between the entity and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate;

Further details about those transactions are disclosed in the notes to the financial statements.

Information about such transactions is disclosed in the financial statements.

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government.

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 instances where they are required to perform such functions.

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

### 1.13 Events after the reporting date

Events after 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:

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

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

| | 2016 | 2015 |
|---|---|---|
| | 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 2016 or later periods:

**GRAP 20:** Related Party Disclosure. No effective date has been determined and no significant impact on the financial statements.

**GRAP 32:** Standard of GRAP on Service Concession Arrangements: Grantor. No effective date has been determined and no significant impact on the financial statements.

**GRAP 108:** Statutory Receivables. No effective date has been determined and no significant impact on the financial statements.

**GRAP 109:** Accounting by Principals and Agent. No effective date has been determined and no significant impact on the financial statements.

## 3. Investments

| | 2016 R | 2015 R |
|---|---|---|
| **Designated at fair value** | | |
| Liberty Life<br>This investments consist of Liberty Life's unlisted property fund, with returns derived from rental and capital appreciation generated from the underlying assets.This investment is renewable on a monthly basis and has an everage return of 10.43% per annum. | 138 259 781 | 127 634 465 |
| **At amortised cost** | | |
| Nedbank | - | 166 605 794 |
| Absa | - | 84 955 918 |
| Investec | - | 104 719 669 |
| Standard Bank | - | 24 735 470 |
| | **-** | **381 016 851** |
| **Total other financial assets** | **138 259 781** | **508 651 315** |
| **Current assets** | | |
| At fair value | 138 259 781 | 127 634 465 |
| Held to maturity | - | 381 016 850 |
| | **138 259 781** | **508 651 315** |

| | 2016 | 2015 |
|---|---|---|
| | R | R |

**4. Trade and other receivables from exchange transactions**

| | | |
|---|---|---|
| Trade debtors from exchange transactions | 1 100 296 | 468 819 |
| Accrued interest on the investments | 874 609 | 2 614 267 |
| Prepaid expenses | 8 080 | 35 435 |
| Other receivables in respect of one learner project | 9 858 975 | - |
| | **11 841 960** | **3 118 521** |

**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 unless the recoverability is uncertain. At 31 March 2016, R 1 980 863 (2015: R 119 587) were past due but not impaired.

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

| | | |
|---|---|---|
| 1 month past due | 656 846 | 70 317 |
| 2 months past due | 1 270 914 | 49 270 |
| 3 months past due | 53 103 | - |

**Trade and other receivables impaired**

| | | |
|---|---|---|
| Over 4 months | 1 137 008 | 7 233 500 |

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

| | | |
|---|---|---|
| Opening balance | 24 868 946 | 17 635 446 |
| Provision for impairment | 5 768 831 | 7 233 500 |
| Amounts written off as uncollectible | (4 631 823) | - |
| | **26 005 954** | **24 868 946** |

**5. Cash and cash equivalents**

Cash and cash equivalents consist of:

| | | |
|---|---|---|
| Bank balances | 3 204 821 | 2 644 039 |
| Other cash and cash equivalents | 454 618 800 | 82 762 958 |
| | **457 823 621** | **85 406 997** |

Other cash and cash equivalents represents investments that were on short term or call accounts investments at year end.

**6. Provisions**

**Reconciliation of provisions - 2016**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 1 336 475 | 67 058 | (1 336 475) | 67 058 |

| | 2016 | 2015 |
|---|---|---|
| | R | R |

**6. Provisions (continued)**

**Reconciliation of provisions - 2015**

| | Opening Balance | Additions | Utilised during the year | Total |
|---|---|---|---|---|
| Provision for claims | 1 257 445 | 1 336 475 | (1 257 445) | 1 336 475 |

**7. Other liabilities**

| | 2016 | 2015 |
|---|---|---|
| Agent interest received in advance | 7 557 825 | 7 213 464 |
| Unallocated agent interest | 2 774 355 | 949 854 |
| Accruals | 4 359 856 | 945 118 |
| | **14 692 036** | **9 108 436** |

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

| | 2016 | 2015 |
|---|---|---|
| Estate Agency Affairs Board | 14 328 538 | 12 497 298 |

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.

**9. Revenue from exchange transactions**

| | 2016 | 2015 |
|---|---|---|
| Interest on trust funds | 31 015 362 | 27 796 440 |
| Contributions from estate agents | 1 879 230 | 1 560 906 |
| Fair value adjustment | 10 625 316 | 10 208 518 |
| Interest on investments | 28 599 333 | 29 516 471 |
| | **72 119 241** | **69 082 335** |

**10. Other income**

| | 2016 | 2015 |
|---|---|---|
| Claims recoveries | 2 521 906 | 3 549 305 |
| Interest receivable | 171 035 | 293 701 |
| | **2 692 941** | **3 843 006** |

| | 2016 | 2015 |
|---|---|---|
| | R | R |
| **11. Operating expenses** | | |
| Legal expenses | 1 891 033 | 3 122 202 |
| Claims expenses | 6 250 141 | 4 497 259 |
| Consulting and professional fees | 293 014 | - |
| Awareness Campaigns | 2 744 965 | 2 587 744 |
| Publications | 343 897 | 427 837 |
| Insurance and bank charges | 30 421 | 15 692 |
| Provision for doubtful debts | 5 198 029 | 7 233 500 |
| Administration Fees | 51 681 120 | 51 409 176 |
| Investigation expenses | 19 028 | - |
| Transformation costs | 1 302 032 | - |
| | **69 753 680** | **69 293 410** |

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

**12. Cash flows from operating activities**

| | 2016 | 2015 |
|---|---|---|
| Surplus | 4 603 104 | 3 021 561 |
| **Adjustments for:** | | |
| Fair value adjustments | (10 625 316) | (10 208 518) |
| Movements in provisions | (1 269 417) | 79 030 |
| **Changes in working capital:** | | |
| Trade and other receivables from exchange transactions | (8 723 439) | 1 577 930 |
| Loan Fund - Estate Agency Affairs Board | 1 831 241 | (9 370 859) |
| Other liabilities | 5 583 600 | (1 557 735) |
| | **(8 600 227)** | **(16 458 591)** |

**13. Commitments**

**Operating leases**

There are no significant committed expenditure for the year under reveiw.

**14. Contingencies**

**Claims against the Fidelity Fund**

As at year end, the claims lodged against the Fidelity Fund which have not yet been considered amounted to R1 648 144. These claims will be assessed by the Board subsequent to year end the outcome of such consideration is unknown.

**Civil Claims against the Fidelity Fund**

A number of civil claims have been instituted against the Fidelity Fund. The total estimated value of the claims are R4 206 264 and the likely outcome of these cases is unknown.

| ` | 2016<br>R | 2015<br>R |
|---|---|---|
| **15. Related parties** | | |
| **Relationships** | | |
| Controlling entity | Estate Agency Affairs Board | |
| **Related party balances** | | |
| **Loan accounts - Owing to related parties** | | |
| Estate Agency Affairs Board | (14 328 538) | (12 497 297) |
| **Related party transactions** | | |
| **Interest paid to related parties** | | |
| Estate Agency Affairs Board | 455 398 | 610 371 |
| **Administration fees payable to related parties** | | |
| Estate Agency Affairs Board | 51 681 120 | 51 409 176 |

## 16. 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 debt, which includes the borrowings disclosed in note 8, 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.

**Sensitivity Analysis**

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 2016, if interest rate at that date had been 50 basis points lower with all other variables held constant, surplus for the period would have been R2.9 million lower, arising mainly as a result of lower interest income on investments. If interest rate at that date had been 50 basis points higher with all other variables held constant, surplus for the period would have been R2.9 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 .

**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.

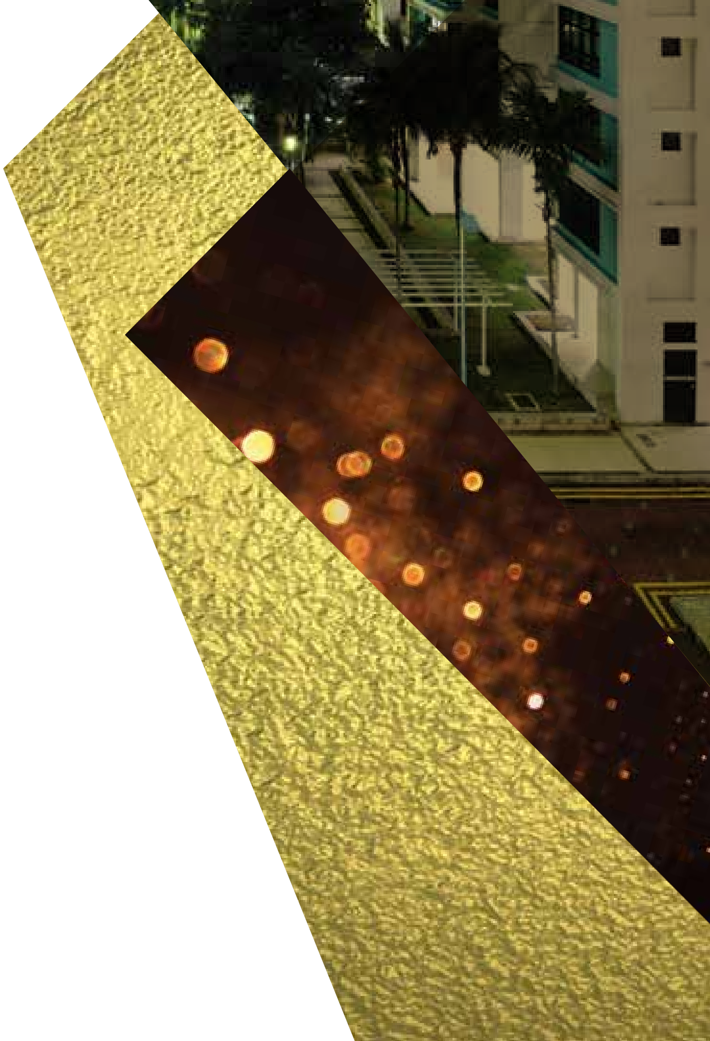
## 17. Going concern

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.

## 18. Events after the reporting date

Minister of Human Settlement appointed 15 board members after the reporting date on the 06 July 2016. There are no further material events after the reporting date.

Annual financial statements were authorised on the 26th July 2016.



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