ESTATE AGENCY AFFAIRS BOARD
OF SOUTH AFRICA

ANNUAL REPORT 2016/2017

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 2017, 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 63 Wierda Road East Wierda Valley Sandton, Johannesburg 2196
Postal Address	Private Bag X10 Benmore 2010
Contact Numbers	Tel: +27 87 285 3222 General Fax: + 27 11 880 9831/9725
Website	www.eaab.org.za
Email	eab@eaab.org.za
Auditors	Ngubane and Co. (Johannesburg) Incorporated Chartered Accountants (SA) Registered Auditors
Bankers	ABSA Bank Limited 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	Mr Nkosinathi Biko
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 Communications 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
PAA	Public Audit Act
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

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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;

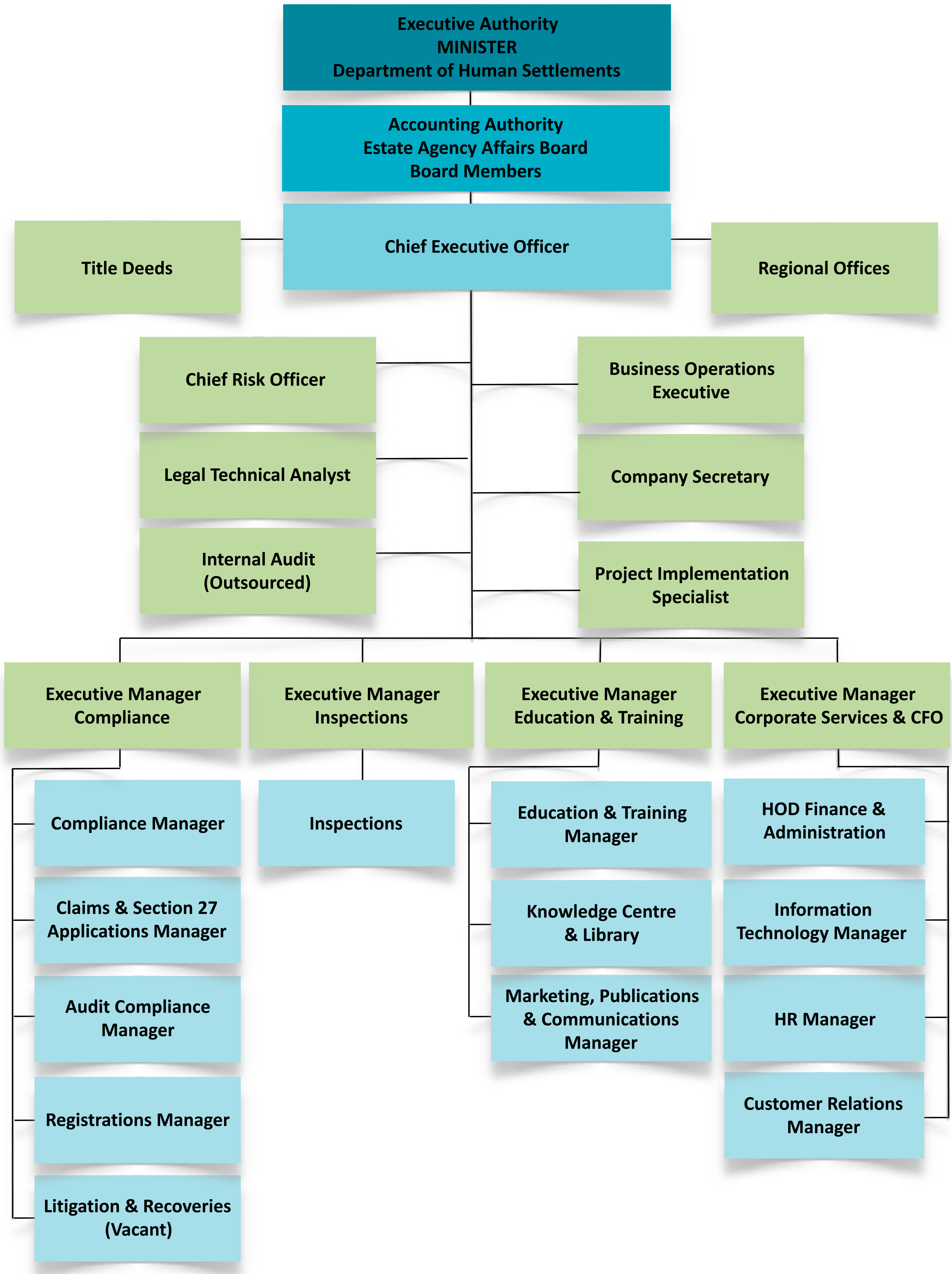
LEGISLATIVE MANDATES

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 declared as unconstitutional on the 26th 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

Mr Nkosinathi Biko
(Chairman)

Mr Yusaf Patel
(Deputy Chairman)

Ms Helen Phaleng-Podile

Mr Christo Weilbach

Mr Phumizle Makhosana

Ms Jill Corfield

Ms Thembeka Semane

Dr Ramola Naidoo

Ms Eugenia Kula-Ameyaw

Mr Manare Legodi

Ms Thandiwe Profit-McLean

Mr Gauta Mogomane

Ms Amanda Cuba

Mr Jan Davel

Adv. Frans van der Westhuzen

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

Thomas Makupo, CA(SA)
Audit Compliance Manager

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

Margie Campbell, Dip. PR, Dip. Sec
Marketing, Publications and Communications Manager

Sello Khumalo, BSC Applied Information Technology
ICT Manager

Deli Nkambule, LLB, PGD: Contracts
Legal Manager

Adv. Debra Vial, BA, LLB
Claims & Section 27 Applications Manager
(& Acting Registrations Manager)

Thokozani Khumalo, LLB, PGD: Contracts
Customer Relations Manager

CHAIRMAN'S REPORT

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MR NKOSINATHI BIKO
CHAIRMAN

The Board of Directors of the Estate Agency Affairs Board hereby present the annual report of the Board for the reporting period 2016/2017. The appointment of the current Board was with effect from 6 July 2016. Its formal establishment was concluded at the meeting of 13 October 2016, having been convened by the Minister for Human Settlements, in accordance with the Act.

Prior to the establishment of the current Board of Directors, the de-facto Accounting Authority was the CEO, who was in charge since 1 January 2016 until the formal constitution of the Board in October 2016. Effectively therefore, the reporting period under review has had two Accounting Authorities in charge of the EAAB, with the current Board having been in control for only five months to the end of the financial year on 31 March 2017. As such this annual report is a hybrid account for both the period over which the Board has had governance oversight and the period preceding it.

The appointment of the current Board coincided with four fundamental developments from the external environment that have had a bearing on the work of the EAAB during the reporting period.

The first is that the year 2016 marked the fortieth year of the Estate Agency Affairs Act of 1976, which to date, provides the legislative framework for the institution. This Act is currently being repealed by way of the Property Practitioners Regulatory Bill, which was published on 31 March 2017 under Gazette No. 40733. Because of this development, the Board, whose term of office is for three years, otherwise until promulgation of the new Act, has operated on the understanding that it is primarily a caretaker Board that is tasked with transmuting the institution from the old, by laying a firm foundation for the new Property Practitioners' Regulatory Authority.

Since the publication of the Bill the Board has convened several focused sessions, which produced valuable comments towards the Bill for consideration by legislators. These comments were submitted on 18 May 2017. Further, the EAAB held consultative sessions with a number of emerging stakeholder entities that were encouraged to prepare their independent submissions to the Bill, as part of the public participation process. The EAAB also provided the process led by the Department of Human Settlements, with both a secretariat and financial support in order to take the Bill to the people through a roadshow, in all nine provinces.

We understand that this process afforded stakeholders with the opportunity to directly shape the legislation that will become our new governance framework. We remain indebted to the executive team for their sterling effort in supporting this important initiative, which goes back a few years.

The second important factor that had a bearing on the work of the EAAB during the period under review is the increasing political anxiety about industries that have a poor transformation record. In this regard, the property sector in general has been identified as central to the quest to address inequality in the South African economy. The period under review saw the Property Charter Transformation Codes being further developed which were adopted into law after the reporting period. Regrettably it is against this context that the Estate Agency sector has also been brought into sharp focus as a result of a number of racial statements otherwise racialized business practices that have brought the sector into further disrepute. We continue to monitor this trend and to take action where necessary.

On the 6th and 7th December 2016, the Board conducted a two-day strategy review workshop that led to the identification of three central pillars of the new approach being: Protect – Regulate – Transform. A key addition to the new revised strategy is a strong emphasis on transformation. The revised strategy provides for a senior executive resource whose task it is to drive transformation and integrate its objectives throughout the organization. The revised APP and organogram was submitted on 28 February 2017 and have subsequently been approved for implementation by the Executive Authority.

Accordingly, the Transformation Committee is developing a number of programmes, which include the establishment of a Property Practitioners Academy, in order to offer a more comprehensive support platform for new entrants into the industry than the current One Learner One Estate Agency Programme, which has had limited success in retaining participants. In addition, consideration is being given to incorporating the new categories of practitioners provided for in the Bill, which shall come to fall under the ambit of the Property Practitioners Regulatory Authority.

The external third force is the proliferation of new technologies that have had a disruptive effect on the practice of buying and selling, as well as leasing of property. In particular, switching platforms such as applications that link buyers and sellers of goods and services, continue to usurp traditional businesses in the sectors such as transport, fast food, travel and an increasing array of industries. In the property sector they have started to disrupt short-term rental, holiday rental as well as well as other aspects of the value chain usually occupied and serviced by our traditional clients. We continue to watch legislative developments in other jurisdictions through our participation in international bodies in order to be aligned with international best practices.

Lastly, on the external forces, we have witnessed a sustained loss of investor confidence in the South African economy fueled by perceptions of increasing political uncertainty and a declining rating of the local economy by some of the leading rating agencies. Although such development relate specifically to the re-rating of foreign debt the tragedy they visit is that perceptions around the future are immediately priced into the local debt market such that the lending criteria of financial institutions becomes conservative. Loans are to the property market what oil is to a mechanical apparatus. Thus the reporting period was characterized by apprehension and indeed the vulnerability of the smaller operators in the sector. In such times the cost of compliance and the quantity of failed institutions combine into a deadly cocktail for our membership targets.

The EAAB has also witnessed a number of internal headwinds. As a member of the Human Settlements family of institutions, we endeavor to act in the best interests of the group. The request to avail the CEO of the EAAB to the Housing Development Agency proved to be one of the more vexing developments to have taken place over the period of existence of the new Board. Ordinarily a CEO exits through a planned process preceded by succession planning. This process was highly urgent yet cumbersome in that it is connected to developments to other institutions over whose processes the EAAB has no control. The EAAB and the affected institutions are in consultation to give closure to this matter. The Board wishes Mr. Bryan Chaplog well in his new assignment. The Board has subsequently appointed the Chief Risk Officer, Nikita Sigaba as the Acting CEO.

Given the task of laying a foundation for a new and wider reaching regulator, the Board has placed extreme emphasis on an honest examining of the internal and external controls. A key approach of the revised strategy is to transform not only the colour of the sector but also the culture of how things are done in the sector. As a regulator the EAAB has had to first deal with its own housekeeping issues. This is often an uncomfortable exercise but one that must and should be done, especially by a Board of Directors tasked with readying the organisation for its evolved form. Indeed, a candid examination of internal and external control environment has yielded some key gaps, which the institution is tasked with rectifying. The organisation experienced great difficulties during the auditing process, which pointed to a number of these concerns. Our IT system is one such cause for concern as it is the basis for the organisation's transactional capacity with its vast client base. With the looming Act, it is anticipated that the inclusion of new categories of property practitioners under the regulatory watch of the EAAB, will exert enormous pressure on the organisation. Some of the priorities that have already been identified are currently being driven through the various committees.

These include:

- advancing the professionalisation of the sector so that it is presently viewed as a career of choice and no longer merely 'a job of the last resort';
- providing career preparation and training for new entrants into the sector and especially members of previously disadvantaged communities, women, the youth, and people with disabilities;
- increasing the levels of protection afforded to consumers both in property-related transactions and in their dealings with estate agents through a transactional support programme;
- promoting the highest standards of ethics, quality and performance both within the EAAB and external to it;
- encouraging the maximum levels of compliance by stakeholders within the regulated sector;
- building awareness and appreciation for the sector regulatory value proposition of the EAAB;
- enhancing both brand awareness and the contribution of the EAAB within the sector; and
- ensuring that the EAAB remains sufficiently resourced, in terms of both financial and human resources, successfully to achieve its regulatory mandate.

At the best of times a Board of Directors composed of fifteen members is cumbersome. Yet despite the pressing demands of the organization on its Board, and the often-trying debates, there has been no lack of will or effort to support the work of the EAAB, with members often exceeding their call of duty. We are indebted to all the Committee Chairpersons who continue to provide detailed guidance on various aspects of the organisation. We are equally appreciative of the work of each and every Board Member in these Committees as at the full Board. The Board is highly indebted to the Chairperson of the Audit and Risk Committee whose guidance was critical throughout the audit. Lastly, it is to the Deputy Chair that we owe immense gratitude for his composed but highly effective leadership.

Now that we can once more cast a gaze, we look forward to regaining our momentum towards delivering the objectives outlined in the strategy review session and the shareholder compact.

MR NKOSINATHI BIKO
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REPORT

CHIEF EXECUTIVE OFFICER'S REPORT

BRYAN CHAPLOG CA(SA)
CHIEF EXECUTIVE OFFICER

Support from the Minister and Department of Human Settlements

The Estate Agency Affairs Board ("EAAB") has enjoyed yet another year of support from the Executive Authority through the honourable Minister of Human Settlements, Ms LN Sisulu and the Director General of the National Department of Human Settlements. Under their leadership and direction the EAAB continues on its path of becoming a world class regulator. Most of the EAAB achievements can be credited to the support received from the Executive Authority.

Appointment of Board members of the EAAB

As the term of the previous Board had expired on 31 December 2015, fifteen new qualified Board members were duly appointed by the Minister of Human Settlements on 6 July 2016.

I wish, at the outset, to extend my gratitude and appreciation to the Minister for establishing an Accounting Authority for the EAAB in the form of the newly appointed Board members. Board members, under the able chairmanship of Mr. Nkosinathi Biko, have in the main made a sterling contribution towards enabling the EAAB better to serve its stakeholders, property consumers in general and the property profession in particular.

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

Some of the pertinent issues which immediately received the attention of the EAAB Board during the period under review included:

- the continuing professionalisation of estate agency as a career of choice;
- the development and implementation of enhanced query management systems;
- improved and fully functional IT systems;
- the implementation of appropriate and goal-directed consumer awareness campaigns and consumer protection initiatives;
- ensuring fully functional Information Technology systems;
- ensuring the taking of appropriate steps and measures to eliminate all aspects of racism, discrimination or acts of intolerance within the sector; and
- the transformation of the property and estate agency sectors by encouraging, and making resources available to, estate agency practitioners from previously disadvantaged communities to ensure that they could achieve reputational and financial success in the sector.

The property sector in general and the estate agency environment in particular

I must underscore the fact that, during the financial year under review, the property sector in general, and the estate agency environment in particular, continued both to evolve and expand notwithstanding the often difficult economic situation in which South Africa found itself. It, of course, remained incumbent upon the EAAB, as the statutory regulator and professional body of the sector, to identify, acknowledge and accommodate the on-going consequences and demands of a rapidly changing socio-political-economic environment and property landscape having regard to the fact that both the property sector in general as well as its estate agency component are of critical importance to the South African economy. The sector, indeed, continues to make a significant contribution to the South African Gross Domestic Product. The property market value in South Africa is some R7 trillion, excluding the tribal and community land parcels and building infrastructure while RDP assets have not been included at market value.

Playing a more responsive role in the South African economic landscape

The EAAB dedicated itself to playing a more responsive role in the South African economic landscape and in positively impacting the property sector for the benefit of both consumers and property practitioners. The EAAB, as a result, focused on improving its operational environment through the more effective and efficient use of technology and technological innovations in its service offering to estate agents and stakeholders. Increased use was made of online solutions for all stakeholders - especially where the submission of annual auditor's reports was concerned. The result has been that the number of non-compliant estate agencies who failed timeously to submit auditor's reports has dramatically declined compared to previous periods.

The two online communication portals previously established, namely, the "MyEAAB" and "MyCPD" portals, again proved to be particularly beneficial to stakeholders and enabled the EAAB both to update the contact details of registered estate agents and to increase its capacity to reach specifically identified stakeholder segments. The newly launched Online Query Management System allows users to submit their queries online and, by so doing, reduce the query resolution time. Most registered estate agents can, consequently, now be electronically accessed by the EAAB.

An increasing awareness of the inherent value of immovable property as an economic enabler

During the period under review it became apparent that South Africans generally demonstrated an increasing awareness of the inherent value of immovable property as an economic enabler. Through the implementation of active consumer awareness programmes, which necessarily focused on property ownership as a key investment goal and opportunity for future well-being, the EAAB was able to facilitate a change in the often instinctive mind-set that a home was nothing more than a means of shelter. Many more consumers are now able to recognise that property ownership constitutes a valuable store of wealth. This slow but steady metamorphosis will, no doubt, entail substantial future ramifications for the regulated property sector especially as secondary immovable property markets rapidly continue to emerge in areas where they were hitherto conspicuous by their absence.

Growth in the secondary residential market

One of the positive results of the acknowledged growth in the secondary residential market has been the establishment of new shopping centres, offices, industrial parks, hospitals, libraries, religious facilities, entertainment centres and the other necessary infrastructure which invariably accompanies a developing residential environment. The various differentiated spheres of estate agency practice have benefited positively from this long overdue development.

Professionalising the real estate sector

The EAAB continued to focus on professionalising the real estate sector. In its joint capacity as statutory regulator and SA Qualifications Authority recognised professional body of the estate agency sector, the EAAB continued the Continuing Professional Development Programme ("CPD") for practicing professional estate agents. Only intern estate agents are exempted from compliance with peremptory CPD requirements. The CPD programme has been most successful and participants understand the necessity of keeping abreast of real estate developments and of maintaining the professionalism of the sector in eyes of the communities in which they practice.

This was emphasised by the fact that well over 12 793 qualifying estate agent participants enrolled for, and will soon be completing, the first three-year CPD rolling cycle. The first cycle commenced in 2015 and will be concluding in December 2017 after which a new cycle will commence.

Recognising and accepting CPD as an ongoing process

Professional estate agents have come increasingly to recognise and accept that CPD is an ongoing process that will necessarily continue throughout their working careers. They, moreover, seem now to appreciate that CPD is essential for ensuring the continued knowledge, competence and retention of skills in an ever-changing profession. The three-fold objective of the EAAB CPD programme is, therefore, to protect the consuming public in their dealings with estate agents; safeguard the multi-faceted interests of the estate agency profession; and ensure a successful and meaningful estate agency career for all practicing estate agents. It is self-evident that, since estate agency is a dynamic and evolving sector, estate agency professionals must remain fully informed of, and conversant with, the latest skills, knowledge and industry trends if the sector is to remain a relevant, meaningful and successful contributor to the South African economy. The EAAB's CPD programme, thus, aims at providing estate agents with the necessary tools and content to develop and enhance their personal skill sets.

To facilitate participation in the mandatory CPD programme the EAAB introduced an e-learning CPD intervention to supplement the one-on-one contact sessions. Some 60% of participating estate agents, in fact, acquired their verifiable CPD points through the e-learning programme during the period under review. It is apparent 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 roadshow seminars previously presented countrywide by the EAAB have now been fully incorporated into the CPD programme under the rubric of 'Integrated Real Estate Dialogues'. Estate agents are, accordingly, now able to accrue verifiable CPD points by attending these popular events. As the feedback received from attendees was overwhelmingly positive the EAAB is confident that the innovation was well received by the general body of professional estate agents.

With the successful implementation of the EAAB CPD programme property consumers can feel assured that professional estate agents are well prepared and able to render estate agency services of the highest calibre. Property practitioners who comply with

EAAB educational requirements can be accepted as persons who are knowledgeable, and keep abreast of, relevant property related issues, legalities and processes.

Conducting consumer awareness workshops

The EAAB also successfully conducted various consumer awareness workshops in all provinces during the period under review. The reach of the EAAB's consumer awareness programmes was significantly enhanced through the better use of all available and relevant communications media platforms for this purpose - with special emphasis on radio as an ideal medium of mass communication. This emphasis significantly increased the EAAB's informational footprint and enabled more consumers to be empowered with the knowledge that they may previously have lacked.

The underlying objective of the consumer awareness outreach programme during the financial year in question was to ensure that consumers, who constituted the target audience of the programme, were made fully aware of the EAAB as well as of the various functions, duties and roles that it performs in both regulating the activities of estate agents and protecting the interest of consumers in their dealings with estate agents. This was done bearing in mind that an informed and knowledgeable consumer is an empowered consumer.

The outcomes of the successful EAAB consumer awareness campaign have been that:

- property consumers in general are now better acquainted with, and more aware of, their rights, duties and obligations when entering into property transactions;
- property consumers better understand the range of services that can be rendered by estate agents and of the necessity of using only registered estate agents, holding valid fidelity fund certificates issued by the EAAB;
- consumers are better informed regarding the utilisation of immovable property as a source of wealth, the importance of owning a home as an asset and the duties and responsibilities attaching to the ownership and/or rental of immovable property;
- consumers are aware of the various choices and options available to them in the immovable property market including the ownership of residential property, investments in residential property and community schemes, social housing and the rental of various forms of accommodation as an alternative to ownership;
- consumers better appreciate the challenges facing the human settlements sector and so have an improved understanding of the various initiatives being implemented to address these challenges; and
- consumers were informed of the priority projects launched by the Department of Human Settlements during the period under review.

The Privyseal certification and authentication programme

During the financial year the EAAB also continued with, and expanded, the Privyseal certification and authentication programme. The underlying objective of the implementation of Privyseal registration by estate agents is to ensure that consumers know that they are entrusting their estate agency requirements to registered, professional estate agents whose identities can easily be verified. The use of Privyseal by estate agents is an authoritative confirmation of the registered estate agency status of the user. Privyseal, in addition, prevents fraud and corruption and, most importantly, eliminates identity theft which has become increasingly rife.

Estate agents are required to use a digital seal in all electronic media which confirms their registration status. Accessing that seal is a simple operation which enables consumers to check that the person that they are dealing with is a registered and qualified estate agent. Use of the seal, moreover, incentivises estate agents to ensure their contact details are correct and consistently updated. During the period under review there was an exponential increase in the number of privyseals being viewed from 3 000 000 to 5 000 000.

The "One Learner – One Estate Agency Youth Brigade Empowerment" programme

The "One Learner – One Estate Agency Youth Brigade Empowerment" 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, continued during the period under review. It remains unfortunately true that the transformation of the property sector to reflect the demographics of a democratic South Africa is still not as advanced as it should be. The EAAB is, consequently, determined to continue its emphasis on the transformation of the sector in full knowledge of the fact that changes in the spatial demographics of the South African property landscape require the 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 "One Learner – One Estate Agency Youth Brigade Empowerment" 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. Implementation of the programme seeks to accelerate the essential transformation of the real estate sector and to ensure that it speedily reflects the demographic realities of a democratic South Africa.

Participation in the "One Learner – One Estate Agency Youth Brigade Empowerment" programme is open to matriculants, TVET college graduates, university and university of technology graduates as well as persons with disability. 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 having completed the twelve-month internship period, and once they have been certificated against the Further Education and Training Certificate: Real Estate, the intern estate agents enrol for the Professional Designation Examination for non-principal estate agents (PDE 4). This examination 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 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 are able to 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 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.

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, co-operation 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.

I sincerely trust that registered estate agents will emulate the example that has already been established by the EAAB in inculcating an understanding and appreciation of the economic benefits of an expanded property sector amongst the youth who are not only our future leaders but also our prospective property consumers of estate agency services in the years to come. I believe that it make eminent sense for the EAAB to continue to target the future estate agents and consumers of estate agency services.

Acts of racism, discrimination and intolerance

Acts of racism, discrimination and intolerance committed by estate agents, which were, unfortunately, prevalent during the period under review, 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 remains determined not to accept the manifestation of any form of racism, discrimination or acts of intolerance and will neither permit nor tolerate odious acts of this nature within the regulated sector.

The Equity Pledge

Acting in concert with the estate agency sector the EAAB created an Equity Pledge pursuant to which estate agents were 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 was encouraging and the EAAB has good reason to anticipate that this issue will be positively resolved in the not too distant future.

The title deed restoration programme

As has already been noted it is essential that 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.

Homeowners holding the title deeds to their properties 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 secondary housing market. Home owners are able, furthermore, to bequeath that property to their designated heirs. Possession of a registered title deed avoids the burdensome complications that are otherwise likely to arise in the case of the death of the property owner. 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 participate more meaningfully 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 benefiting from economic housing is yet insufficient to obtain mortgage finance through the usual channels, has benefited 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.

Legislative review

The legislative review of the Estate Agency Affairs Act, 112 of 1976, made significant progress during the period under review. The proposed Property Practitioners Bill, which will provide for the future regulation of all property practitioners, was published for public comment on 31 March 2017. This is a huge milestone for the sector and the regulator as the new Bill will contribute positively to the transformation imperatives for the property industry nationally. The EAAB and the Department of Human Settlements have jointly completed the national information sessions on the Property Practitioners Bill which afforded interested parties and stakeholders an opportunity to provide their comments on the bill on a public platform.

Registrations and renewals of fidelity fund certificates

The turnaround time for the issue and renewal of fidelity fund certificates was carefully monitored during the period under review to ensure compliance with established norms and standards. The EAAB successfully issued a total of **48 563** fidelity fund certificates to individuals which represents an **11,05%** increase over the previous financial year.

Education and training

The Education and Training Department again ensured the professionalisation and transformation of the estate agency sector by implementing the educational dispensation for estate agents as established by the Standard of Training of Estate Agents Regulations promulgated on 4 June 2008. All registered estate agents must 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, which is administered by the EAAB, 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 undeniably resulted in more knowledgeable and empowered consumers who are aware of their rights and obligations when engaging in property transactions.

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.

Customer relations

During the period under review significant attention and resources were devoted to further improving the effective regulation of the estate agency sector. Priority was given to making the use of EAAB information and technology systems more effective and to encouraging estate agents to comply with their various legislative obligations on-line.

The EAAB carefully analysed such matters as the nature and type of the queries generally received from stakeholders; the frequency of receipt of those queries; and the turnaround times resolving queries. This exercise had the added advantage of highlighting existing gaps in service delivery by the EAAB to stakeholders. The EAAB has, as a result, made significant improvements to its customer relations systems so as to expedite service delivery. The result has been:

- the creation of an electronic query management process ensuring the more effective use of online query management systems and techniques;
- the introduction of standardised professional query resolution processes; and
- an improvement in the turnaround times for resolving queries.

Empowerment of the call centre

The EAAB call centre, as the initial point of contact between stakeholders and the EAAB, was empowered to support the functional and operational departments of the organisation by efficiently dealing with routine queries and communicating accurate and reliable information to stakeholders. The vast majority of general queries are, consequently, resolved during this first interaction without any further wastage of time, or cause of irritation, to stakeholders.

During the period under review **164 761** telephone calls were distributed by the EAAB call centre while **18 417** telephone calls were, for a multiplicity of reasons, abandoned. There was a **15%** increase in the number of calls received as compared to the previous year. It appeared that, of these calls, **163 835** were satisfactorily answered and dealt with. While there is, no doubt, still room for further improvement, I am most gratified at this result and more especially at the fact that the service level of the call center was **91%** efficiency.

Ensuring the effective application of resources

As Chief Executive Officer of the EAAB I remained determined to ensure that the full resources of the EAAB, both human and financial, were efficiently and effectively applied during the period under review towards maximising and optimising the regulatory and professional body activities entrusted to the EAAB. Doing so would redound to the best interest of both the consumers and property practitioners that the EAAB serves. I am confident that the EAAB largely succeeded in fulfilling this objective. The EAAB was able to concentrate on improving its systems, processes and procedures to make them more accessible to stakeholders and, also, more 'user-friendly'. This facilitated and encouraged improved legislative compliance by the regulated sector as a whole.

Enhancing estate agency as a viable and financially rewarding career of choice

The EAAB, I believe, was also able to enhance 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. Doing so will, I trust, result in the speedy transformation of the sector in the interests of all South Africans.

Making gains in the execution of the EAAB's regulatory functions

The EAAB continued to make gains in the execution of its regulatory functions. The optimisation and modernisation projects previously initiated are bearing fruit and now yielding the desired results. The success of these various projects emphasises the fact that the EAAB is moving in the right direction as the regulator and professional body of the estate agency sector.

The support of the Executive Authority and the Department of Human Settlements

The support of both the Executive Authority and the Department of Human Settlements was indispensable in ensuring that the EAAB continued to achieve success and made the required operational advances and breakthroughs. I am confident that ever-increasing optimisation and modernisation programmes will continue to improve the operational efficiency and effectiveness of the EAAB.

Governance matters at the EAAB.

It was most unfortunate that a breach in the corporate governance occurred at the EAAB in that a four-member board committee was established to perform the functions of the CEO after I had been seconded to the Housing Development Agency on 10 February 2017. This unfortunate situation resulted in instability and uncertainty of executive leadership as Board member's should never cross the operational line or get involved in the management of the organisation. The Board is supposed to provide strategic leadership to the organisation. The abnormal governance situation exacerbated tension which resulted in new operational challenges within the EAAB and lead to the resignation of key staff including the Chief Financial Officer who had served the EAAB for ten years, and the Head of Department – Finance. I am pleased, to record that this committee was dissolved and an Acting Chief Executive Officer and an Acting Chief Financial Officer were appointed during the last week of July 2017.

Co-operation and liaison with sector stakeholders

I am also satisfied that the current levels of cooperation and liaison with sector stakeholders have facilitated the necessary collaborative problem-solving mechanisms needed collectively to address common problems, issues and challenges facing the sector. It is appropriate for me to express my sincere thanks and appreciation to industry stakeholders for their much valued inputs and commitment to advancing the professionalism of the sector. This support has resulted in increased operational productivity and efficiencies where the EAAB is concerned.

Thanks

I wish to thank the Minister of Human Settlements for the opportunity granted to me to serve the EAAB, the staff and the real estate sector. My term at the EAAB was very enriching and I was privileged to implement the modernisation programme for the EAAB that migrated most services for estate agents to accessible online platforms. I thank the Minister for the confidence that she placed in me in seconding me to the Housing Development Agency. I look forward to contributing to the overall Human Settlements mandate through the Housing Development Agency.

I wish, finally, also to thank EAAB executives, management and staff for their dedication and commitment. Their support for my efforts in optimising the service offerings of the EAAB is much valued.

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 automated its registration process and ceased issuing manual FFCs with effect from 1 July 2016. Aspirant estate agents are expected to log onto MYEAAB AGENTS PORTAL (https://www.eaab.org.za/myffc) and complete a three step process to apply for a fidelity fund certificate (FFC). FFCs are uploaded onto the portal for agents to download and print.

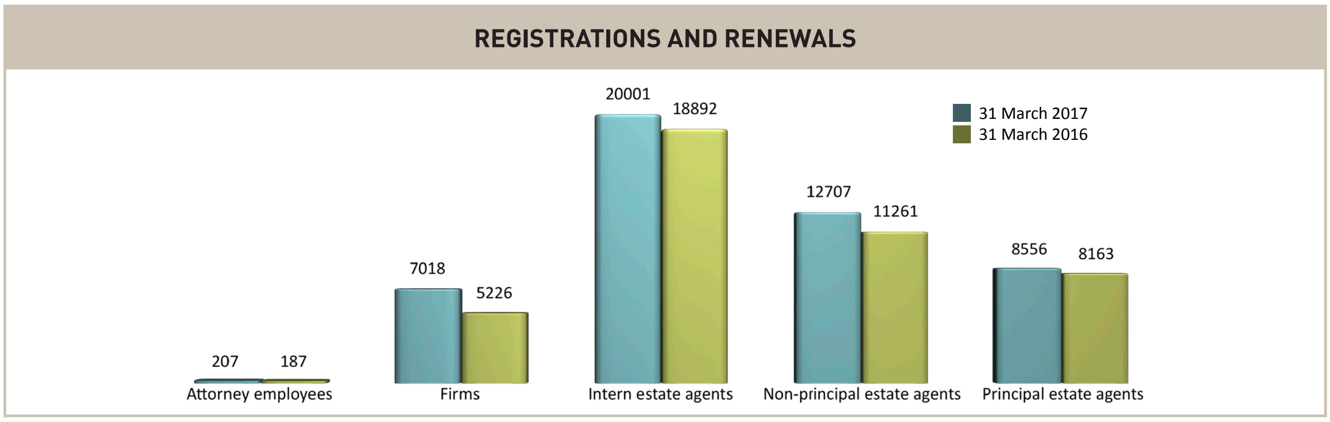
The system automation significantly improved the turnaround times for the issuing of, and renewal of the fidelity fund certificates. A further improvement in turnaround times is expected as EAAB continues to find innovative ways of improving its fidelity fund issuing process by taking advantage of the ICT developments aimed at realizing system efficiencies.

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 2016/17 financial year the EAAB issued a total of **48 563** fidelity fund certificates and registration certificates, a 11.05% increase from the **43 729** issued in the previous financial year. The graph below reflects the number of fidelity fund certificates issued during the year under review.

Registrations and Renewals

	31 March 2017	31 March 2016
Attorney employees	207	187
Firms	7 018	5 226
Intern estate agents	20 001	18 892
Non-principal estate agents	12 707	11 261
Principal estate agents	8 556	8 163
Total	**48 563**	**43 729**

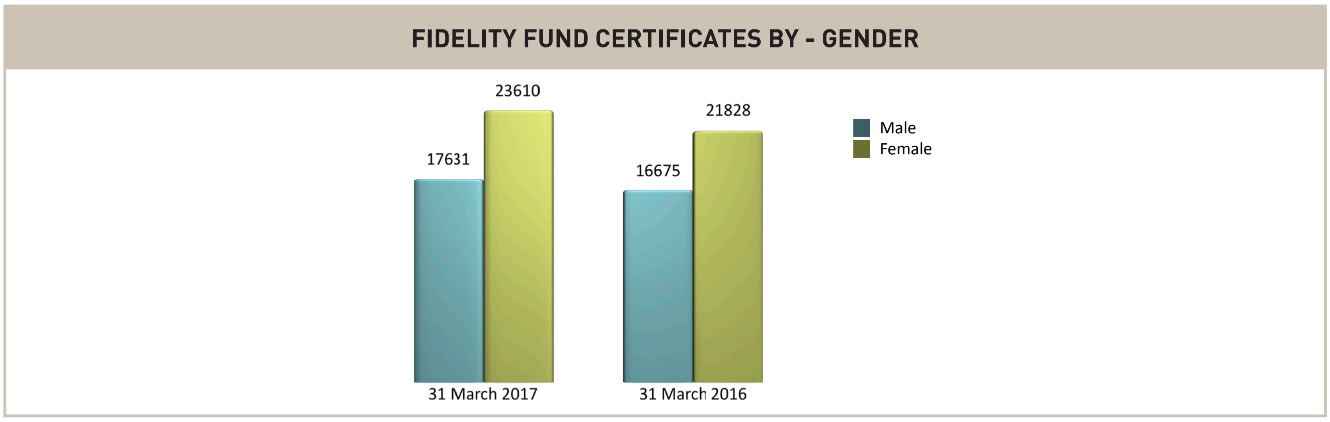


FIDELITY FUND CERTIFICATES BY GENDER

The numbers relating to the gender of registered estate agents for the 2016/2017 financial year are indicated in the graph below.

Registrations and Renewals

	31 March 2017	31 March 2016
Male	17 631	16 675
Female	23 610	21 828
Total	**41 241**	**38 503**



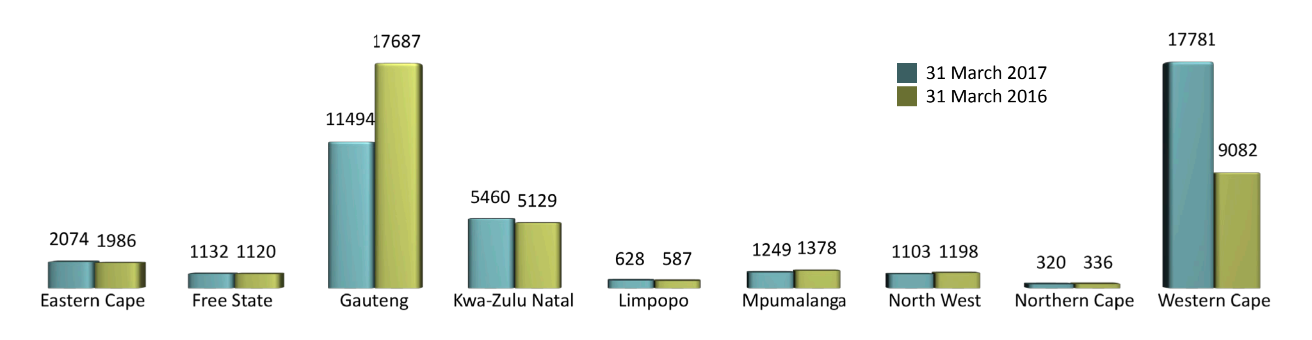
FIDELITY FUND CERTIFICATE – BY PROVINCE

The numbers of registered estate agents in each province for the 2016/2017 financial year are depicted in the chart below.

Fidelity Fund Certificates by province

	31 March 2017	31 March 2016
Eastern Cape	2 074	1 986
Free State	1 132	1 120
Gauteng	11 494	17 687
Kwa-Zulu Natal	5 460	5 129
Limpopo	628	587
Mpumalanga	1 249	1 378
North West	1 103	1 198
Northern Cape	320	336
Western Cape	17 781	9 082
Total	**41 241**	**38 503**

FIDELITY FUND CERTIFICATE – BY PROVINCE



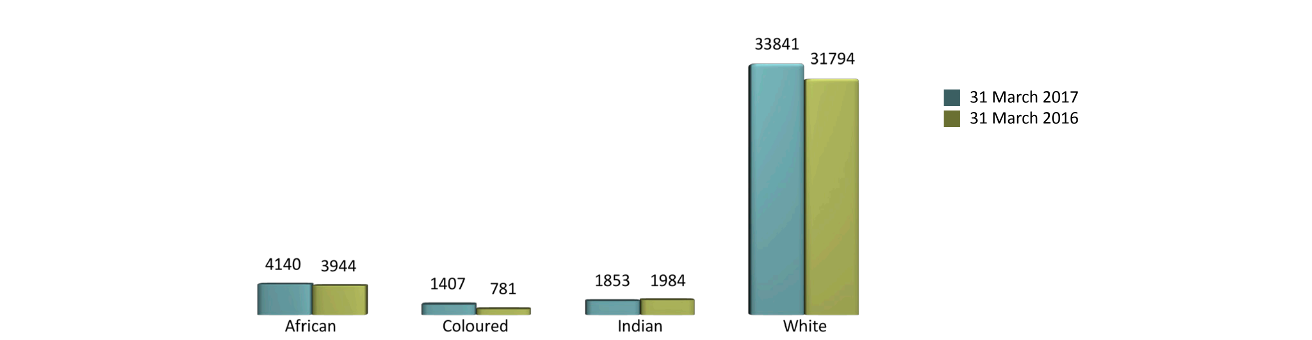
FIDELITY FUND CERTIFICATE – BY RACE

The racial distribution of registered estate agents for the 2016/2017 financial year is indicated below:

Fidelity Fund Certificates By - Race

	31 March 2017	31 March 2016
African	4 140	3 944
Coloured	1 407	781
Indian	1 853	1 984
White	33 841	31 794
Total	**41 241**	**38 503**

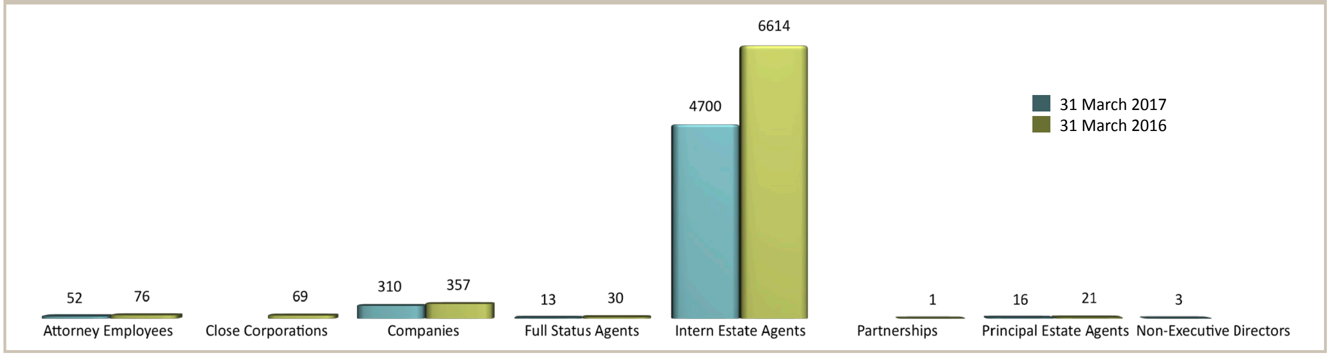
FIDELITY FUND CERTIFICATE – BY RACE



New Registrations

CATEGORY	31 March 2017	31 March 2016
Attorney Employees	52	76
Close Corporations	-	69
Partnerships	310	357
Companies	13	30
Full Status Estate Agents	4 700	6 614
Intern Estate Agents	-	1
Principal Estate Agents	16	21
	3	-
TOTAL	**5 094**	**7 168**

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 Department's responsibilities include, but are not limited to, the following:

- education and training programmes and interventions for estate agents;
- the conduct of the Professional Designation Examination ("PDE") for qualifying estate agents;
- the professionalisation of the estate agency sector and, in this respect, was appointed as the Professional Body of the sector by the South African Qualifications Authority;
- the implementation of a Continuing Professional Development ("CPD") programme for 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; and
- the establishment of the Knowledge Centre and Research Unit which will serve as a knowledge resources centre so as to provide access to both real estate and property-related knowledge and research resources

Education and training regulatory and prescribed qualifications and intern logbooks for intern estate agents

In terms of regulation 2 of the Standard of Training of Estate Agents Regulations, 2008 ("the Education Regulations"), all persons intending to become estate agents, that is, new entrants to the estate agency profession who have never previously been registered with EAAB and have not been issued with a fidelity fund certificate for estate agents by EAAB. are required first to serve as intern estate agents for a continuous period of twelve months from the date of the first issue to such persons of a fidelity fund certificate, acting under the supervision and control of a principal estate agent or other full status estate agent who has held a valid fidelity fund certificate for a period of at least three years. The intern estate agent must, in addition, maintain, complete and submit an Intern Logbook and Portfolio of Evidence ("PoE") reflecting the workplace learning that was acquired by the intern estate agent during the course of the internship period to the EAAB upon the termination of the mandatory twelve-month internship period. Such evidence of practical workplace learning, experience and competencies acquired by the intern estate agent is duly assessed by the EAAB and, where warranted, approved, thereby enabling the intern estate agent to enrol for the Professional Designation Examination for non-principal estate agents ("PDE 4").

Pursuant to regulation 4(1)(a) of the Education Regulations intern estate agents must be both certificated against the NQF Level 4 real estate qualification (Further Education and Training Certificate: Real Estate) and pass the PDE 4 to be upgraded to the status of Professional Practitioner in Real Estate.

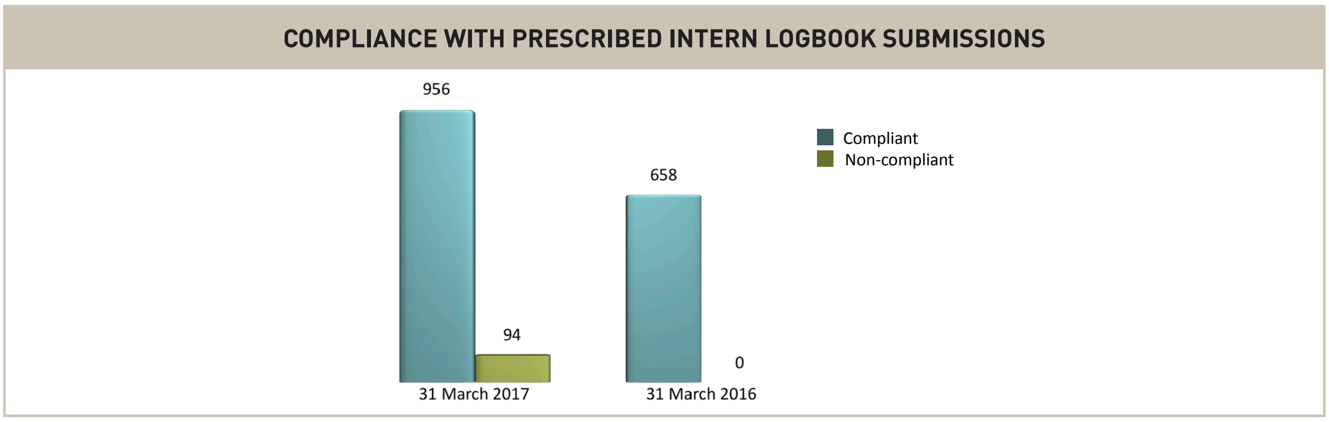
During the year under review **1 050** intern logbooks were submitted to the EAAB for assessment:

- **956** of the submitted logbooks were found to be compliant and were, consequently, approved; while
- **94** logbooks were, for various reasons, including that the intern estate agent was not registered with the EAAB, additional supporting evidence was required and failure by the principal estate agent to sign-off on the logbook, found not to be compliant and referred back to the intern estate agent for remediation.

A **62%** increase in the number of logbooks received by the EAAB during the period under consideration was noted as compared to the same period for the previous financial year.

Compliance with prescribed intern logbook submissions

Intern Logbooks received and processed	31 March 2017	31 March 2016
Compliant	956	658
Non-compliant	94	0
TOTAL	**1 050**	**658**



Education and Training - prescribed qualifications for non-principal and principal estate agents

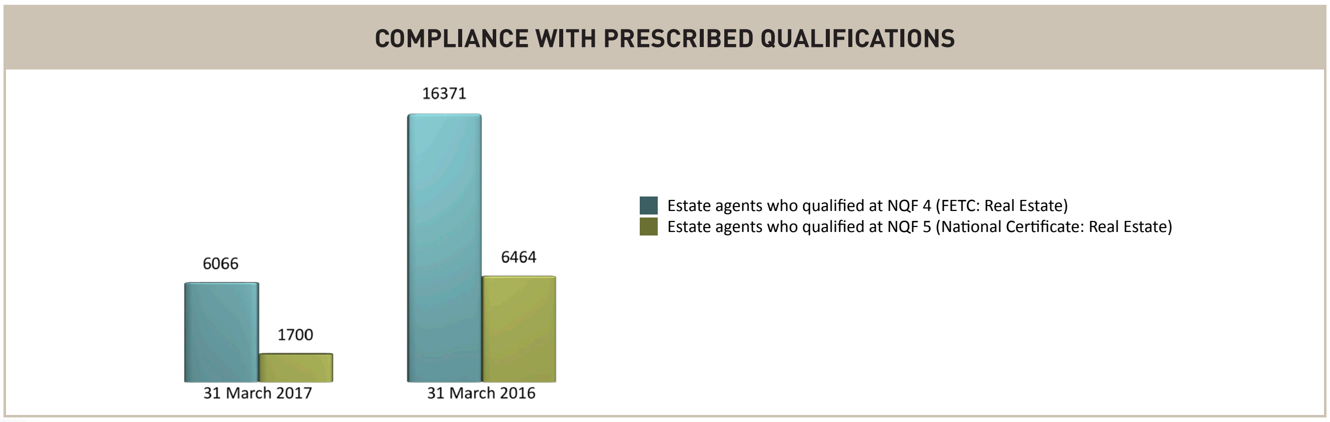
Pursuant to regulation 4(1)(a) of the Education Regulations no person may perform the functions and activities of a non-principal estate agent unless that person has completed the Further Education and Training Certificate: Real Estate (SAQA QUAL ID 59097). No person may, furthermore, perform the functions and activities of a principal estate agent unless that person has completed the National Certificate: Real Estate (SAQA QUAL ID 20188).

These National Qualification Framework ("NQF") real estate qualifications, which are presently quality assured by the Services Sector Education and Training Authority ("SSETA"), are designed to enhance the provision of entry level knowledge within the property and real estate professions and also provide the broad competencies, skills and values required by estate agency practitioners in the property and real estate environment.

The number of estate agents complying with regulation 4(1)(a) of the Education Regulations is reflected below. The number of estate agents certificated against the prescribed qualifications has declined by **34%** as compared to the same period in 2015/6. This may be attributed to the fact that most of the estate agents who were registered as such prior to 15 July 2008, when the Education Regulations came into effect, have now qualified themselves against the NQF real estate qualifications while the majority of intern estate agents registered during the 2015/6 financial year have still to complete the prescribed internship period.

Compliance with prescribed qualifications

Compliance with prescribed qualifications	31 March 2017	31 March 2016
Estate agents who qualified at NQF 4 (FETC: Real Estate)	6 066	16 371
Estate agents who qualified at NQF 5 (National Certificate: Real Estate)	1 700	6464
TOTAL	**7 766**	**22 835**



Equivalency exemptions granted based on prior academic achievements

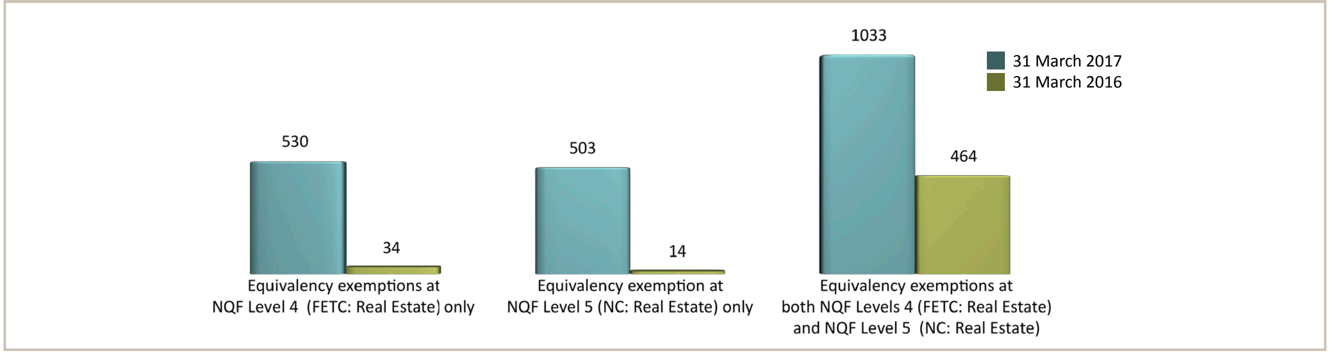
By resolution of the Board adopted in 2008, estate agents who have obtained tertiary qualifications that are relevant to the sector and align with the NQF real estate qualifications in accordance with the prescribed Board-approved equivalency exemption matrices, may apply, in the manner prescribed by the relevant policy, for the grant of an equivalency exemption from completing the NQF real estate qualifications.

During the period under review **1 033** equivalency exemption applications were received and granted as opposed to the **512** applications assessed in 2015/6. This represents a **49%** increase in the number of equivalency exemption applications received, assessed and approved by the EAAB.

Equivalency exemption applications assessed and granted

Equivalency exemption applications assessed and granted	31 March 2017	31 March 2016
Equivalency exemptions at NQF Level 4 (FETC: Real Estate) only	530	34
Equivalency exemption at NQF Level 5 (NC: Real Estate) only	503	14
Equivalency exemptions at both NQF Levels 4 (FETC: Real Estate) and NQF Level 5 (NC: Real Estate)	1 033	464
TOTAL	**1 033**	**512**

EQUIVALENCY EXEMPTIONS



Age-based educational exemption applications

By resolution of the Board, adopted in 2011:

- currently registered estate agents holding a valid fidelity fund certificate issued by the EAAB;
- who have held such a valid fidelity fund certificate, whether as a principal or non-principal estate agent, for a period of at least five years, and
- who are at least 60 years of age;

May apply to the EAAB for the grant of an age-based educational exemption against the NQF Level 4 and/or 5 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 in accordance with the requirements of the Board-approved policy in this respect. 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 **88** age-based educational exemptions were considered and granted. This represents a **36%** decline in the number of age-based educational of exemptions granted as compared to the same period in 2015/6. It is anticipated that the number of age-based exemptions received by the EAAB will continue to decline as, on the one hand, most qualifying applicants have already applied for, and been granted, the age-based educational exemption. Many qualifying applicants, on the other hand, prefer to complete the required educational qualifications in full to obtain, and utilise, the SA Qualifications Authority recognised designations.

Total age-based exemptions granted

	31 March 2017	31 March 2016
Total age-based exemptions granted	88	309

Educational exemptions granted to non-executive directors of estate agency companies

During the financial year under review a policy for the grant of educational exemptions to non-executive directors of estate agency companies, to enable such companies to comply with the peremptory provisions of the Estate Agency Affairs Act relating to the registration of directors, was approved.

The purpose of the policy was to enable the non-executive directors of estate agency companies to apply for, and receive, a full educational exemption, including an exemption from compliance with the mandatory CPD programme, for so long as such non-executive directors remained non-executive directors of the estate agency company in question.

The Education Regulations require that all directors of an estate agency company must be certificated against the NQF Level 5 real estate qualification and pass the Professional Designation Examination for principal estate agents to enable such directors to be issued with a valid fidelity fund certificate as a principal estate agent by the EAAB, as required by section 26 of the Estate Agency Affairs Act. The non-executive directors of an estate agency company may now apply for, and be granted, an educational exemption against the NQF Level 5 real estate qualification and/or the Professional Designation Examination for principal estate agents, thereby enabling the EAAB to issue a valid principal fidelity fund certificate to such non-executive directors.

The educational exemption application must comply with the requirements of the approved policy. The educational exemption, if granted, remains valid only for so long as the non-executive director concerned remains a director of the relevant estate agency company. The educational exemption is, furthermore, non-transferable while the non-executive director concerned is obliged immediately to notify the EAAB, in writing, should there be any change in the circumstances of that director which may render that person no longer a non-executive director of the estate agency company.

During the period under review **11** applications by non-executive directors were received, considered and granted by the EAAB.

The Professional Designation Examination (PDE)

In terms of regulation 4(3) of the Education Regulations no person may be registered by the Board as a full status estate agent unless that person has also successfully completed the Professional Designation Examination (PDE), conducted by the Board. The PDE represents the final test of an estate agent's ability practically to implement and apply the learning that has been achieved in both the classroom and at the workplace. Practicing estate agents, whether principals or non-principals, who have been certificated against the National Certificate: Real Estate or the Further Education and Training Certificate: Real Estate, as the case may be, must write and pass the Professional Designation Examination.

The EAAB has successfully conducted the Professional Designation Examinations in all nine provinces for both principal and non-principal estate agents on a quarterly basis. The Professional Designation Examination for principal estate agents is referred to as the "PDE 5" while the Professional Designation Examination for non-principal estate agents is known as the "PDE 4". 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.

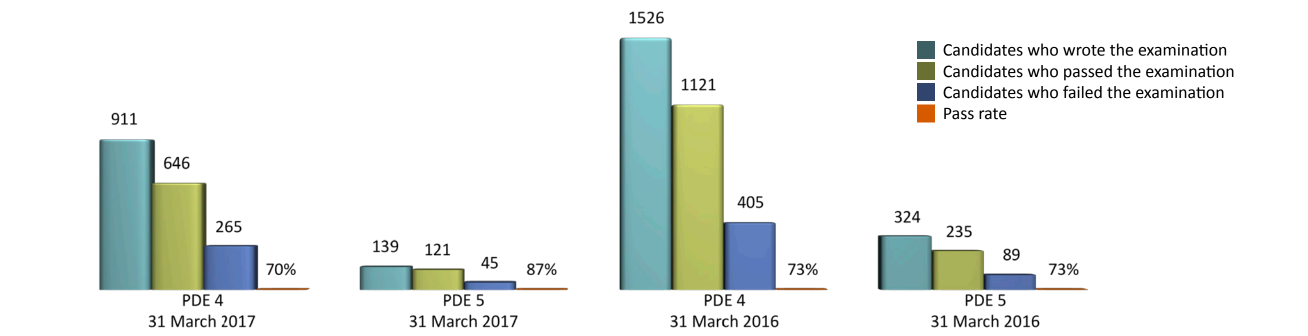
A total of **1 050** estate agents undertook the Professional Designation Examinations during the period under review. As compared to the financial year 2015/6 the pass rate for PDE 4 candidates declined from **73%** to **70%** while, conversely, the pass rate for PDE 5 candidates improved from **73%** to **87%**.

The drop in pass rate for the PDE 4 is a worrying factor. The EAAB, however, remains confident that the implementation of a concerted Continuing Professional Development ("CPD") programme will ensure an improvement of professional levels among all estate agents and contribute significantly to an increase in the PDE 4 pass rate. The consolidated result of examination sessions held during the current financial year is as follows:

Professional Designation Examinations conducted

Professional Designation Examination conducted	31 March 2017		31 March 2016	
	PDE 4	PDE 5	PDE 4	PDE 5
Candidates who wrote the examination	911	139	1 526	324
Candidates who passed the examination	646	121	1 121	235
Candidates who failed the examination	265	45	405	89
Pass rate	**70%**	**87%**	**73%**	**73%**

PROFESSIONAL DESIGNATION EXAMINATION CONDUCTED



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

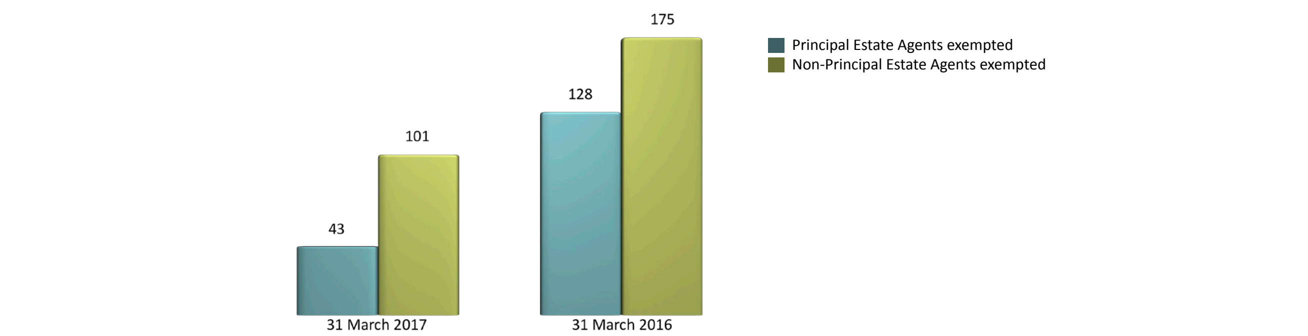
In terms of regulation 4(3) of the Education Regulations, estate agents who held a valid fidelity fund certificate during the period 2003 to 2008 inclusive may apply to the EAAB for the grant of the statutory exemption against the Professional Designation Examinations.

A total of **144** statutory exemption applications were received, considered and granted during the financial year under review. This represents a **47%** decrease in number of statutory exemptions granted as compared to the same period in 2015/6 and is directly attributable to the fact that most qualifying applicants have already been granted the statutory exemption. It is anticipated that the number of statutory PDE exemption applications will decline markedly in the future as fewer qualifying candidates are identified in terms of this 'grandfather' provision.

Statutory exemptions granted

Statutory exemptions granted	31 March 2017	31 March 2016
Principal Estate Agents exempted	43	128
Non-Principal Estate Agents exempted	101	175
Total	**144**	**303**

STATUTORY EXEMPTIONS GRANTED



Continuing Professional Development

The ongoing implementation of a meaningful Continuing Professional Development ("CPD") programme for practicing estate agents, excluding only intern estate agents, which conforms to current best practice requirements to be found in most world-wide real estate regulatory jurisdictions, proceeded well during the period under review. Professionalisation of the estate agency sector necessarily requires members of the estate agency profession to maintain their professional standing and status by completing mandatory CPD education and development interventions. The CPD programme, in addition, is such as to enable estate agents to keep abreast of relevant sector and property developments, trends and changes since these can, cumulatively and sequentially, have significant consequences on both the internal and external environments within which estate agents operate.

Estate agents, when registering for the CPD programme, are required 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. To ensure affordability the fee was not increased and remained the same as that levied for the 2015/6 financial year.
It is, thus, mandatory for estate agents to participate in the EAAB's CPD programme and accrue the required number of annual verifiable and non-verifiable CPD points to retain a fidelity fund certificate entitling them to render estate agency services. This can be done either by participants attending one-on-one CPD contact sessions or through the e-learning programme introduced by the EAAB.

Estate agents falling within the first rolling three-year CPD cycle, which commenced in 2015, but who either failed to register for CPD in 2015 and/or 2016 or who had not yet accumulated the requisite verifiable and non-verifiable CPD points for those CPD years, were also enabled to complete CPD requirements through an innovative 'catch-up' programme that was implemented by the EAAB and which has proved to be most successful.

Estate agents, by participating in the EAAB's CPD programme have been able to demonstrate to their various internal and external stakeholders:

- a commitment to achieving and maintaining the highest standards of performance excellence;
- the necessary commitment, passion and dedication to advancing themselves in a career of choice;
- the desire constantly to learn, gain additional knowledge and improve both as a professional estate agent and as a law abiding citizen;
- an enduring interest in the estate agency sector as well as in the general property sector and economic environment in which they operate;
- an ongoing knowledge and awareness of relevant trends and developments within the estate agency sector pertaining, in particular, to products, services, statutory compliance and the building and retention of efficient and effective strategies and business management systems; and
- skills and competence in the establishment, management, control and expansion of sustainable and economically and reputationally successful estate agency businesses and enterprises while also increasing the protection afforded to consumers in their dealings with estate agents.

COMPLIANCE

The mandate of the EAAB 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 (FIC) which mandates the EAAB to ensure compliance with the FIC Act by all estate agents.

The Enforcement & Compliance Department is tasked with the responsibility of carrying out these primary and secondary mandates of the EAAB. The Department receives and investigates complaints from members of the public and follows through with disciplinary proceedings where evidence received establishes a prima facie case of wrong doing on the part of estate agents.

The activities of the Department are informed by the number of complaints the EAAB 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 Act 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:

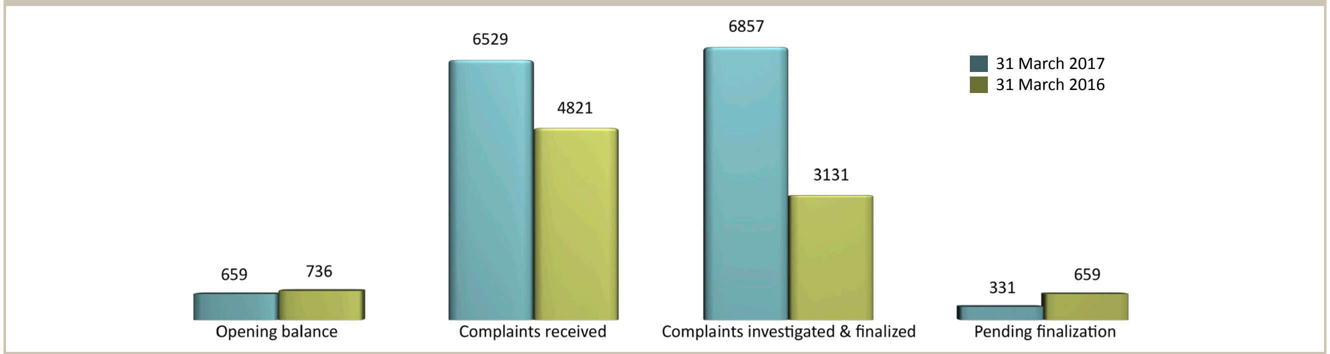
1. Post / Mail	5. Walk-in clients
2. Email	6. Whistle Blower reports
3. On-line	7. Inspections
4. Fax	8. Audit reports

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.

Complaint Statistics

	31 March 2017	31 March 2016
Opening balance	659	736
Complaints received	6 529	4 821
Complaints investigated & finalized	6 857	3 131
Pending finalization	331	659

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.

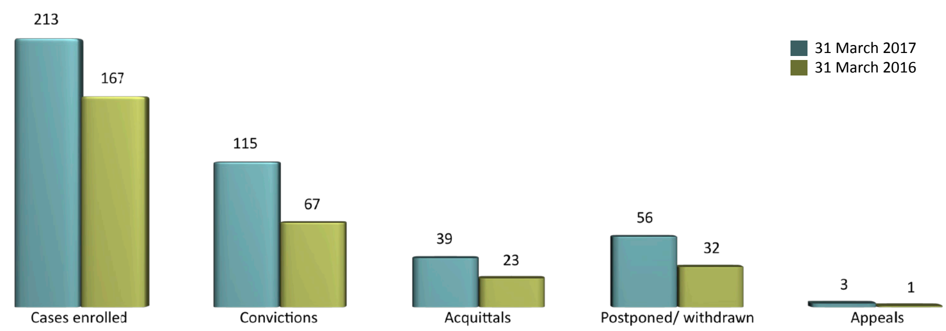
Further the neutrality and more relaxed atmosphere of mediation may eliminate the desire to continue hostile a relationship between the parties once both parties have seen all the issues in a fair light, and makes it possible for the parties to continue to have a business relationship. The decline in 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 as well as the The

The department has seen an increase in the number of complaints submitted and this can be attributed to the introduction of the online process of submitting complaints. Many of the complaints submitted online necessarily relate to requests for legal advice by consumers as to their rights. The online process has proved convenient for complainants as they are able at any convenient time to complete the online form in just a few minutes without having to print, manually fill out and send paper forms, the processes has also instilled confidence in the process of submitting complaints as complainants receive automated confirmation of receipt of their online complaint.

Disciplinary Hearings

Disciplinary Hearings	31 March 2017	31 March 2016
Cases enrolled	213	167
Convictions	115	67
Acquittals	39	23
Postponed/ withdrawn	56	32
Appeals	3	1

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 there is a prima facie case to be investigated. The problem encountered in successfully investigating and prosecuting based on these reports is the fact that most complainants opt to remain anonymous thereby making it difficult to obtain further information to substantiate the allegations from them. However, where complaints that are lodged with sufficient information and evidence they will result in matters being 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. The difficulty in tracing unregistered estate agents is due to the complaints not being in possession the correct information of the agent .The lack of cooperation from the institutions and organizations 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 that have been included in the Bill will assist in to curbing this problem.

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 endeavor 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. .

Inspections conducted

Inspections relating to compliance with the EAA Act were not conducted in the current financial year due the declaration of unconstitutionality of section 32A of the Act by the Constitutional Court. However, 63 inspections relating to compliance with the FICA were conducted during the current financial year. The table and graph below compares the FIC inspections conducted in the current financial year for each province with the EAAB inspections conducted in the previous financial year. The significant reduction in the number of inspections conducted is attributable to the declaration of unconstitutionality which came into effect in February 2016.

Total number of inspections conducted

	31 March 2017	31 March 2016
Eastern Cape	2	20
Free State	8	22
Gauteng	22	211
Kwazulu-Natal	9	69
Limpopo	3	22
Mpumalanga	-	18
Northwest	6	13
Northern Cape	-	6
Western Cape	13	93
TOTAL	**63**	**474**

FIC Contraventions

The following table summarises the contraventions identified during the 63 FIC inspections performed by EAAB during the current financial year.

Province	S 43(b) - Duty to appoint a compliance office	S 21 Duty to identify clients	S 22 - Duty to keep records	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
Eastern Cape	1	-	-	-	-	1	1
Free State	-	2	2	-	-	2	2
KwaZulu Natal	-	-	-	1	-	-	1
Limpopo	1	-	-	-	2	-	1
North West	1	1	1	-	1	1	1
Western Cape	-	-	-	-	1	-	1
TOTAL	**3**	**3**	**3**	**1**	**4**	**4**	**7**

Self-assessment of compliance

Following the coming into effect of the declaration of unconstitutionality of section 32A in February 2016, the EAAB introduced in the current year a Compliance Monitoring and Assessment Framework ("the CMAF") to provide contingency measures to monitor and assess compliance with the provisions of the Act. In terms of this Framework, a self-assessment of compliance was introduced in the current financial year as a secure web-based electronic questionnaire on the MyEAAB Agents Portal for self-assessment of compliance of estate agencies with the Estate Agency Affairs Act and the Financial Intelligence Centre Act.

Principals of estate agencies were selected to complete the self-assessment of compliance electronic questionnaire, which was made available on the the MyEAAB Agents Portal.

The self-assessment questionnaires covered the following four broad areas:

a. General information of the estate agency firm, its service offerings and its staff complement;
b. Compliance with sections of the Estate Agency Affairs Act relating to accounting records and other records required to be maintained;
c. Compliance with the EAAB's educational requirements and prescribed standard of training of estate agents; and
d. Compliance with the requirements of the Financial Intelligence Centre Act.

The following table summarises the self-assessment questionnaires that were received during the financial year:

OPERATIONAL OVERVIEW...*continued*

	31 March 2017
Eastern Cape	39
Free State	15
Gauteng	178
Kwazulu-Natal	61
Limpopo	7
Mpumalanga	6
Northwest	5
Northern Cape	7
Western Cape	161
TOTAL	**479**

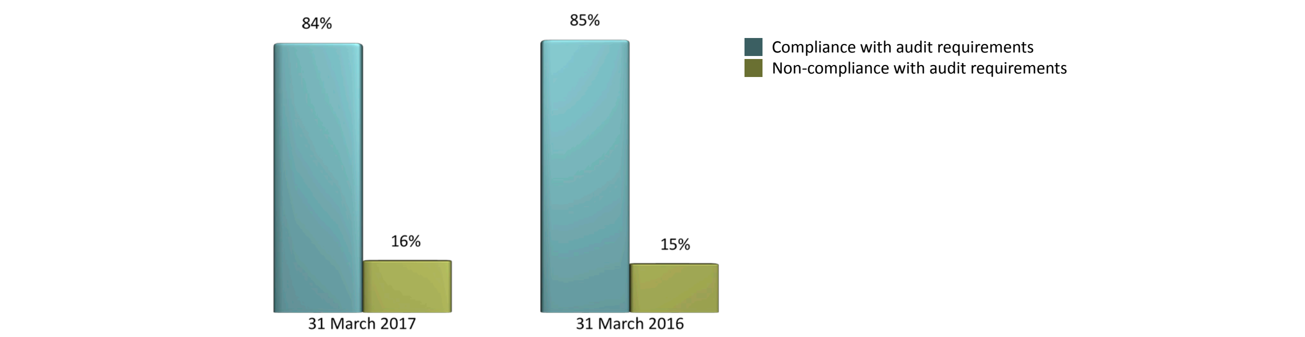
AUDIT COMPLIANCE

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 significant increased compliance levels have been noted from the 29% compliance level in the financial year ended 31 March 2013 to the 16% compliance level in the current financial year.

	Financial Year Ended 31 March 2017	Financial Year Ended 31 March 2016
Compliance with audit requirements	84%	84%
Non-compliance with audit requirements	16%	16%

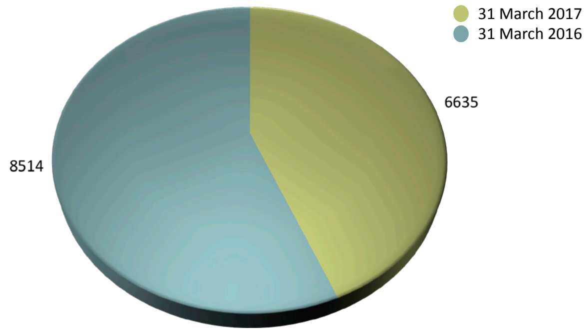
AUDIT REPORTS RECEIVED WITHIN THE PRESCRIBED TIMEFRAME VERSUS OUTSIDE PRESCRIBED TIMEFRAME



During the financial year ended 31 March 2017, a total of 7 798 audit reports were received and these comprised of 40 for the 2017 financial year, 6 439 for the 2016 financial year, 1 319 for the financial years prior to 2016 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 2016/2017 financial year slightly decreased from those received in 2015/2016. The high number of audit reports received in the previous financial year was from estate agencies who were previously disqualified and which were regularising their registration status by submitting the outstanding audit reports.

	Financial Year Ended 31 March 2017	Financial Year Ended 31 March 2016
Number of audit reports received	6 635	8 514

NUMBER OF AUDIT REPORTS RECEIVED



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.

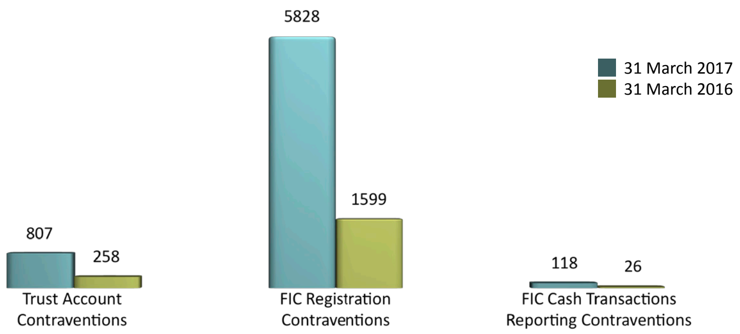
Verification of submitted audit reports

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.

As indicated in the table and graph below, a number of non-compliance issues were automatically identified during the preliminary audit report verification. The increase in the number of contraventions relating to the registration by estate agencies with the Financial Intelligence Centre (FIC) as accountable institutions is attributable to the change of the registration and reporting system by FIC in the current financial year:

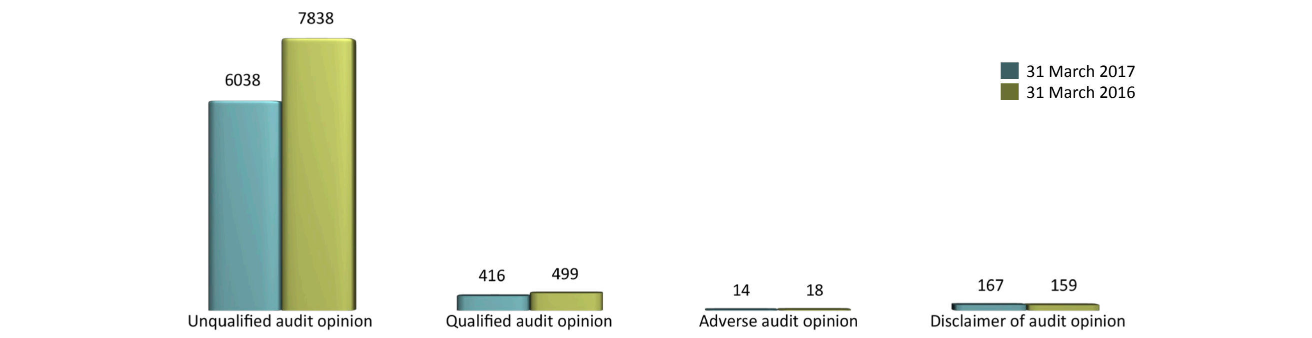
	Financial Year Ended 31 March 2017	Financial Year Ended 31 March 2016
Trust account contraventions	807	258
FIC Registration Contraventions	5 828	1 599
FIC Cash Transactions Reporting Contraventions	118	26

CONTRAVENTIONS REPORTED FOR SUBMITTED AUDIT REPORTS



	Financial Year Ended 31 March 2017	Financial Year Ended 31 March 2016
Unqualified audit opinion	6 038	7 838
Qualified audit opinion	416	499
Adverse audit opinion	14	18
Disclaimer of audit opinion	167	159

AUDIT OPINIONS ON THE ESTATE AGENCIES AUDITED FINANCIAL STATEMENTS



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

- 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;
- IT3b certificates reflecting interest earned on trust accounts not provided;

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.

Claims approved by Board committee have increased due to the appointment of the board to deal with those awaiting approval.

Numbers and values of incoming claims continue to increase largely from the sector of managing agents- Body Corporates submitted 39 claims valued at R3 034 384 arising from the activities of one managing agent alone, in the period. The Managing agent sector continues to place the Fidelity Fund at risk for high value claims. The advent of CSOS where trustees are required to exercise due diligence in dealing with unlawful managing agents is expected to reduce claims from this sector in due course.

The value of pending claims has reduced form the previous quarter for the first time.

New claims received

STATISTICS OF NEW CLAIMS AGAINST THE FUND	2017	2016	2015	2014	2013	2012
Number of claims received	169	282	53	60	67	225

Claims at Rand Value

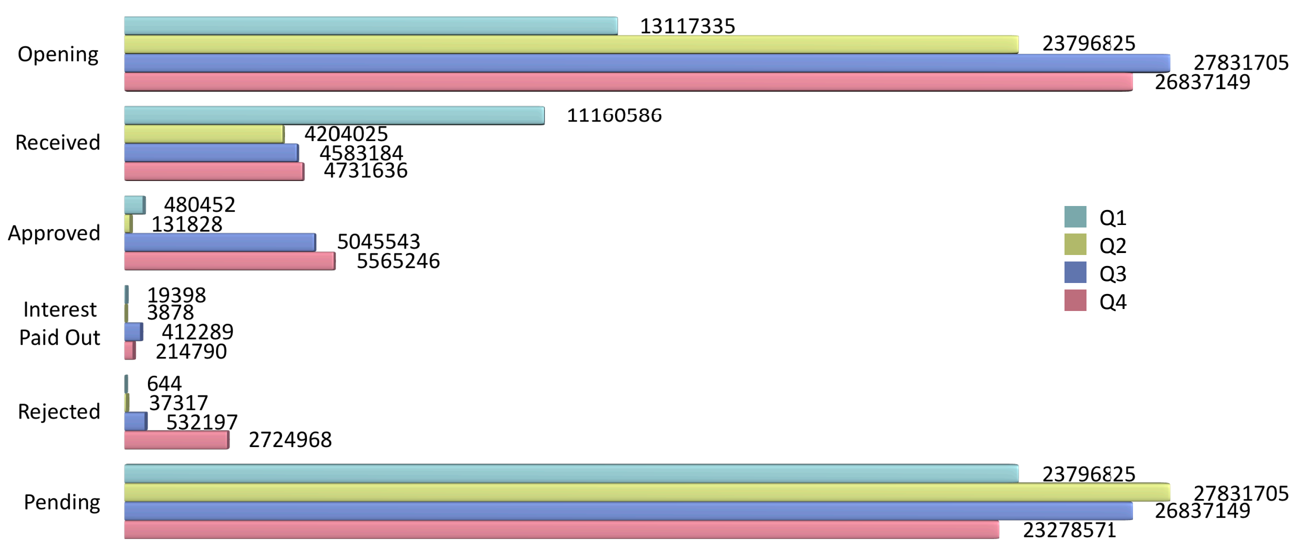
The total number of claims considered by the Board during the year were **44**. The total rand value of **R11 223 069** was approved and paid to property consumers who had suffered loss at the hands of unscrupulous estate agents, in fulfilment of EAAB's consumer protection mandate. Rand value of the claims received by the board continues to increase as a result of high value claims received from body corporates 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 Beyers Property Group 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.

The reduction in the number of claims approved by the board is a result of the absence of a board to consider high value claims during the first six months of the year, the difficulty experienced by body corporate claimants in submitting sufficient documentary proof of the quantum of claims. The need for litigation in order to obtain court orders before banks will supply bank statements belonging to agents to prove collection of income, delays proof of claims and submission to the board for consideration.

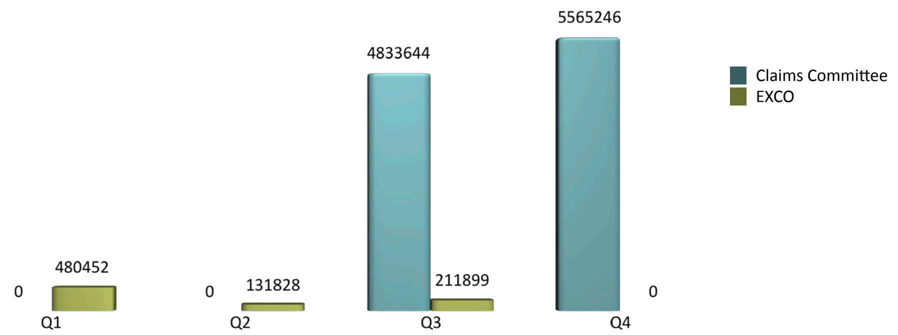
Since the fidelity fund assumes only residual liability, these claims cannot be considered until all such processes are finalised.

Claims Statistics (Rand)	31 Mar 2017	31 Mar 2016	31 Mar 2015	31 Mar 2014	31 Mar 2013	31 Mar 2012
Value of claims lodged	24 679 431	20 564 502	5 947 783	10 447 320	2 352 209	10 461 075
Value of claims approved	11 223069	7 249 818	3 516 964	4 866 526	288 600	3 849 910
Value of claims rejected	3 257165	197 349	2 151 043	4 077 829	389 004	2 588 299
Value of claims pending	23 278 571	13 117 335	870 728	2 049 284	1 674 605	4 022 935

CLAIMS AT RAND VALUE



APPROVED CLAIMS BY THE BOARD CLAIMS COMMITTEE (RAND)



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 therefore.

Applications received are assessed and further compliance must be awaited before finalisation in most instances. Thus, applications received and attended include all incoming applications dealt with, but most are pending compliance for a period and therefore will require repeat attendance in due course. The length of time taken by agents to comply with requirements is necessarily beyond the control of the administrators.

Approval rates are low at times due to the majority of applications not meeting requirements. Audit non-compliance remains the most contravened and best enforced area of compliance due to the systems in place which prevent the issue of FFCs to non- compliant agents.

Formal applications by persons in terms of Section 27

NO.	DESCRIPTION	2012	2013	2014	2015	2016	2017
1	Applications Received	21	22	10	11	32	15
2	Applications Approved	20	22	10	11	29	15
3	Applications Rejected	1	0	0	0	3	0

Applications by persons disqualified in terms of Section 27 for late submission of audit reports

NO.	DESCRIPTION	2014	2015	2016	2017
1	Applications Received	1 718	11 200	5 463	3553
2	Applications Approved	570	8 974	3 000	1616
3	Applications Rejected	1 512	2 226	2 463	1937

APPLICATIONS RECEIVED APRIL 2016 - MARCH 2017

APPLICATIONS BY PERSONS DISQUALIFIED IN TERMS OF SECTION 27 FOR LATE SUBMISSION OF AUDIT REPORTS

The number of s27 applications continues to decrease as agents become more compliant with timeous submission of audit reports due to the automatic block on FFCs. There has also been an increase in agents closing dormant entities and joining existing firms. The board resolution allowing the administrative imposition of fines for late audit submission continues to work well, allowing agents to become compliant without delay, and generating income.

Section 27 source of Disqualification

Section 27 of the EAA Act 112/1976 provides for various causes of disqualification of agents. These include legal non-compliance, audit non-compliance and educational non-compliance. Section 27 applications, of a formal or administrative nature are received and assessed by the board within the parameters of the legislation. Section 27 applications received have related to legal.

TITLE DEEDS RESTORATION PROJECT

Delivery figures, since the inception of the project show that just under 165,000 title deeds of the known 818,000 backlog have been delivered to beneficiaries who have previously received homes under the Human Settlements Programme. The inroads made into the registration backlog notwithstanding, a significant number remains. At the current conjuncture, the major areas that occasion the retarded delivery of the title registration backlog relates to:

a. Township Establishment: In brief, projects were undertaken without the necessary planning approvals and/or township proclamations having been sought with the relevant authorities. This component now needs to be done retrospectively.

b. Confirmation/Verification of Beneficiaries: With, among others, the lapse of time since the delivery of a property to the original beneficiary, as well as the possible erroneous allocation of properties to incorrect beneficiaries and informal secondary sales, experience shows that the confirmation of beneficiaries becomes vital before instructions to conveyancers can be issued. Along with the above, this aspect of the preparatory work is the most time-consuming, and demands door-to-door verification within townships.

c. Land Legal Matters: A lesser aspect that has been identified relates to projects undertaken on State and Public Land, without the necessary transfer of requisite properties having taken place. In this regard, work has already begun with the Department of Public Works, and is further elaborated upon under Section 6.3 below.

As far as the implementation modalities for the project is concerned, it is noted that a Joint Task Team has now been established to drive the eradication of the title registration backlog. Overall responsibility resides with the Department of Human Settlements; in support thereof, the Estate Agency Affairs Board (EAAB) continues to avail project management and secretariat support to- and for the duration of the project. Moreover, while it understood that the EAAB will take responsibility for the overall substantive content management of the project, the Department will take responsibility for the necessary administrative and financial approvals and compliance matters.

In addition to the above, and to further bolster the capacity of the Task Team, the need has been identified to secure the dedicated services of officials from the Department of Rural Development and Land Reform to assist specifically with the aspect of registration and the lodgment of documents with the Deeds Registry. The Task Team will, among others, be charged with:

a. Offering a view to- and in certain instances assisting in the development of delivery targets in respect of the registration backlog;

b. Ensuring that annual delivery targets are credible and that both financial and non-financial commitments are honoured.

c. Assuming overall responsibility for the Title Restoration Project Dashboard; and

From a national aspect, the Department along with support from the EAAB, continues to co-ordinate the Title Restoration Project by way of a National Steering Committee. The National Steering Committee, in turn, receives quarterly progress reports from nine Provincial Steering Committees that are to be co-chaired by the TRP Task Team and Provincial Department of Human Settlements.

TRANSACTIONAL SUPPORT

The affordable market has in the last seven years been out-performing the top end of the market (CAHF 2014). 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 EAAB has established an initiative to provide transactional support for, in particular, buyers and sellers in the affordable housing market. To this end, the EAAB would want 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; key among them:

a. Monitor the performance of the residential property market and the role this plays in achieving the broad goal of sustainable human settlements and improved quality of household life, through the development, publication and dissemination of key indicators that support policy makers, developers, financiers, estate agents and other players in the housing value chain engage effectively and developmentally with the affordable housing market.

b. Establish a platform that provides buyers and sellers the information they require to make effective decisions as they engage in the property market, and through the sharing of information through EAAB publications.

The deliverables:

a. Bi-annual publication on the state of the SA housing market, with special focus on the affordable market;

b. Quarterly presentations on affordable property market dynamics to EAAB estate agents - input into Continuing Professional Development

c. Affordable Land + Housing Data Centre – co-investment in the development of consumer education portal for EAAB to provide data and market transaction information to end users and estate agents

d. Content for EAAB Consumer Magazine Quarterly: as requested

INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

INTEGRATED HUMAN CAPITAL MANAGEMENT REPORT

Introduction

The EAAB understands the importance of nurturing its intellectual capital in order to succeed and ultimately acquire the much required after status of a world class regulator. The EAAB has further put measures in place to be a more people-centric organisation, to focus on fostering healthy and mutually beneficial relationships with its employees whilst also providing a conducive working environment.

Skills Development

EAAB has made inroads in improving the skills and development of employees, this was made possible through the partnership of all stakeholders who understood their respective roles and the impact thereof on the overall organizational performance. EAAB spent R459 828 on learning activities in 2017, the organization remains committed to promoting a learning culture which enables employees to develop and grow to reach their full potential.

PIVOTAL Training: In support of the EAAB's commitment to promoting a culture of learning R1,179 was invested by EAAB to assist 40 employees to further their education during the 2016/2017 financial year.

Skills Programme: 65 employees were provided an opportunity to develop their skills through various training programmes that they attended.

Talent Management

Recruitment: Attracting top talent remained a key driver of the human resources agenda in 2016. Appointments at various occupational levels were made, in line with the organizational goal of meeting the Human Resources and employment equity plan. Internal secondment opportunities were offered to ensure greater exposure and developmental progress for the seconded employees.

Performance Management

The performance management process continues to be integral to EAAB's culture and a prerequisite for sustainable performance aligned to the organisation's strategic objectives and priorities. For the 2016-2017 year-end Performance Management process, more than 93% of employees' in scope completed a performance review.

Job evaluations and grading

Job evaluations are a systematic approach to determining the value/worth of responsibilities in a job in relation to other jobs in the organisation. It seeks to make a comparison between jobs to assess their relative worth for the purpose of establishing a rational remuneration structure. The EAAB is in the final stages of finalising 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

To ensure continuity, the Estate Agency Affairs Board acknowledges the need to identify and develop new talent that has the potential to replace existing capacity in the event of the key positions being vacated. The EAAB embarked on an approach to implement the programme in line with the EAAB Succession Policy through a systematic evaluation process and training.

Policy reviews

The EAAB is committed to consistent and effective service delivery through empowered employees. In order to ensure improved and sustained service delivery the EAAB has committed to adopting a proactive approach towards retention of good talent. Upon consultation with relevant role players, the following policies were developed and approved during the period under review:

- Retention and Pay Progression
- Retrenchment Policy

Internship Programme

The EAAB has once again provided 12 months of experiential learning and on the job training opportunities to 30 graduates in 2017. The EAAB has partnered with Services SETA to host an Internship Programme for learners with various SAQA registered qualifications.

Learnership Programme

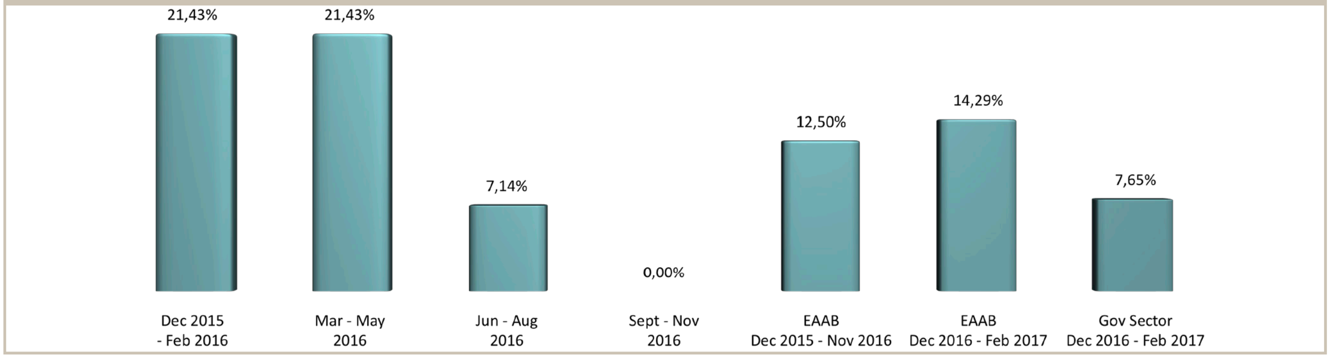
The EAAB enrolled 10 of its employees for the NQF4 Business Administration Learnership Programme for the duration of 12 months, the Programme was specifically targeted at employees who currently possess Matric as their highest qualification. Services SETA has also funded the Programme 100% and at the end of the 12 month period the employees will be awarded a qualification.

Employee Wellness Programme (EWP)

An annual wellness day event was hosted for EAAB employees where various voluntary health assessments were conducted. The Employee Wellness Programme (EWP) is specifically designed to focus on the overall health and well-being of employees and related productivity. The EAAB remains committed to addressing the wellness of employees within this context.

It is encouraging to note that employees have been taking full advantage of the EWP service that the EAAB has made available to them and their immediate family members. Utilisation for the annual period under review is double that of the Government Sector. Figures are as follows:

EMPLOYEE WELLNESS PROGRAMME UTILISATION



Planned action for the 2017/18 period:

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

- Creating and maintaining a safe working environment
- Alignment of the Training plans to the EAAB strategic business needs.
- Facilitation of Talent Management initiatives.
- HR Risk Management
- Integration of HR Information Systems (HRIS)

HUMAN RESOURCE OVERSIGHT STATISTICS

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	13,051	10,979	84%	19	578
Compliance	32,355	29,211	90%	38	769
Education & Training	24,898	9,837	40%	16	615
Corporate services	104,433	72,151	69%	32	2,255
	174,736	**122,178**		**105**	

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	29,253	24%	10	2,925
Senior Management	22,039	18%	11	2,003
Professional qualified	16,189	13%	11	1,472
Skilled	13,623	11%	12	1,135
Semi- Skilled	39,419	32%	57	692
Unskilled	1,656	2%	4	414
Total	**122,178**		**105**	**1,164**

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

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	10,979	110	1%	11	10
Compliance	29,211	603	2%	27	22
Education & Training	9,837	82	1%	8	10
Corporate services	72,151	845	1%	19	44
Total	**122,178**	**1,639**		**65**	**25**

Employment and vacancies

Programme	2015/16 No. of employees	2016/17 Approved posts	2016/17 No. of employees	2016/17 Vacancies	% of Vacancies
CEO's office	15	22	19	3	14%
Compliance	43	44	38	6	14%
Education & Training	14	17	16	1	6%
Corporate Services	32	37	32	5	14%
Total	**104**	**120**	**105**	**15**	**13%**

Salary Bands

Salary Bands	2015/16 No. of employees	2016/17 Approved posts	2016/17 No. of employees	2016/17 Vacancies	% of Vacancies
Top Management	10	10	10	0	0%
Senior Management	9	13	11	2	15%
Professional qualified	11	11	11	0	0%
Skilled	12	16	12	4	25%
Semi- Skilled	58	66	57	9	14%
Unskilled	4	4	4	0	0%
Total	**104**	**120**	**105**	**15**	**13%**

Employment changes

Salary Bands	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	10	0	1	9
Senior Management	9	3	1	11
Professional qualified	11	0	1	10
Skilled	12	4	1	15
Semi- Skilled	58	2	5	55
Unskilled	4	1	1	4
Total	**104**	**10**	**10**	**104**

Reasons for leaving EAAB employment

Reason	Number	% of staff leaving
Death	0	0
Resignation	7	6.7%
Dismissal	2	1.9%
Retirement	1	0.9%
Ill health	0	0%
Expiry of contract	0	0%
Promoted to higher position	0	0%
Total	**10**	**9.6%**

Labour relations: Misconduct and Disciplinary

Reason	Number
Verbal warning	1
Written warning	14
Final written warning	2
Dismissal	2
Total	**19**

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	5	5	2	2	0	0	1	0
Senior Management	5	4	0	0	0	0	0	0
Professional qualified	5	3	0	0	0	0	0	0
Skilled	4	3	0	0	1	2	0	1
Semi-skilled	16	18	0	2	0	0	0	0
Unskilled	2	2	0	0	0	0	0	0
Total	**37**	**35**	**2**	**4**	**1**	**2**	**1**	**1**

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	4	6	0	0	1	1	0	1
Skilled	10	8	0	0	0	0	0	0
Semi-skilled	35	41	2	3	1	2	1	2
Unskilled	2	2	0	0	0	0	0	0
Total	**56**	**66**	**2**	**3**	**2**	**3**	**3**	**5**

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Board

The Executive Authority, Honourable Minister LN Sisulu, Minister of Human Settlements appointed a Board, the Accounting Authority, in accordance with the Estate Agents Affairs Act on 06 July 2016. The Board officially assumed office on 13 October 2016. The Board consists of fifteen members appointed by the Minister 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.

The previous Board's term of office came to an end on 31 December 2015; and the Minister had not appointed any Board Members as at 01 January 2016. This meant that there was no Board in place during the first quarter of the 2016/ 2017 financial year. This did not hamper the EAAB in the performance of its duties. 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, from 01 January 2016 up to 06 July 2016.

The Board is responsible for providing overall guidance on the Strategy, Annual performance 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 signed in agreement with the Executive Authority. The Board is obliged to meet at least once in each quarter of the financial year. During its term of office in the financial year under review the Board held three meetings, one of which was a special meeting. An annual Board Strategic Planning Session is generally convened for the purpose of reviewing the strategic and annual performance plans and the budget of the EAAB. This was conducted on 28 October 2016 and on 06 and 07 December 2016 respectively.

Board meetings: (15 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Mr. Nkosinathi Biko (Chairman)	06 July 2016	4	4
2	Mr. Yusuf Patel (Deputy Chairman)	06 July 2016	4	4
3	Ms. Jill Corfield	06 July 2016	4	4
4	Ms. Amanda Cuba	06 July 2016	4	3
5	Mr. Jan Davel	06 July 2016	4	4
6	Ms. Eugenia Kula-Ameyaw	06 July 2016	4	4
7	Mr. Manare Legodi	06 July 2016	4	4
8	Mr. Phumzile Makhosana	06 July 2016	4	4
9	Mr. Gauta Mogomane	06 July 2016	4	4
10	Dr. Ramola Naidoo	20 September 2016	4	3
11	Ms. Hellen Phaleng-Podile	06 July 2016	4	4
12	Ms. Thandiwe Profit-McLean	06 July 2016	4	4
13	Ms. Thembeka Semane	06 July 2016	4	3
14	Adv. Frans van der Westhuizen	06 July 2016	4	3
15	Mr. Christo Weilbach	06 July 2016	4	3

The Board Committees:

The Board is vested with the authority to appoint Board 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:

1. the Chairmans Committee;
2. the Audit and Risk Committee;
3. the Claims, Compliance and Enforcement Committee;
4. the Education and Training Committee;
5. Finance and Investment Committee;
6. the Human Resources and Remuneration Committee;
7. the Social and Ethics Committee; and
8. the Transformation Committee.

Board has appointed its Committees to assist it in the discharge of its duties. 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 reflected in the tables below:

1. Chairman's Committee

The Chairman's Committee is led by the Chairman and in his absence the Deputy Chairman of the Board; it is comprised of the Chairman of each Board Committee. The Committee provides a platform for the Chairman of each Committee to table and highlight key issues which emanate from their respective Committees' meetings and discussions. These matters are then referred to the Board for approval, for discussion or for noting, as the case may be. The Committee did not meet during the course of the financial year under review.

Chairman's Committee meetings: (9 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Mr. Nkosinathi Biko (Chairman)	13 October 2016	0	0
2	Mr. Yusuf Patel (Deputy Chairman)	13 October 2016	0	0
3	Ms. Jill Corfield	13 October 2016	0	0
4	Ms. Amanda Cuba	13 October 2016	0	0
5	Mr. Jan Davel	13 October 2016	0	0
6	Ms. Eugenia Kula-Ameyaw	13 October 2016	0	0
7	Ms. Thandiwe Profit-McLean	13 October 2016	0	0
8	Ms. Thembeka Semane	13 October 2016	0	0
9	Ms. Kyansambo Vundla	13 October 2016	0	0

2. Audit and Risk Committee

The Audit and Risk Committee is constituted in terms of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999), Chapter 9 Section 77. The Audit and Risk Committee is a properly constituted committee appointed by the Estate Agency Affairs Board, the Accounting Authority, and is accountable to the Board. The Audit and Risk Committee shall assist 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 fulfil those responsibilities. 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. The Audit and Risk Committee comprised four independent members from the start if the financial year up until the Board assumed office on 13 October 2016, prior to that the Audit and Risk Committee functioned as a merged Audit, Risk and Finance Committee as per resolution of the previous Board. The Committee met six times during the course of the financial year under review, two of those being special meetings.

Audit and Risk Committee meetings: (6 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Kyansambo Vundla (Chairman)	01 January 2016	5	5
2	Mr. Moope Mphahlele	01 January 2016	5	5
3	Mr. Tendai Mapenda	01 February 2016	5	5
4	Mr. Phehello Tsotetsi	01 May 2016	5	4
5	Ms. Eugenia Kula-Ameyaw	13 October 2016	5	2
6	Ms. Thembeka Semane	13 October 2016	5	2

3. Claims, Compliance and Enforcement Committee

The Committee assists the Board in its responsibilities in respect of: (1) considering claims received against the Fidelity Fund which are in excess of R 500 000 and making appropriate recommendations to the Board; (2) considering and approving of claims up to R 500 000 (five hundred thousand Rand) received against the Estate Agents Fidelity Fund and make appropriate recommendations to the Board on the settlement of such claims. Further, the Committee is charged with oversight over all issues pertaining to Compliance and Enforcement, including but not limited to: Licensing; Oversight of the inspections function of the EAAB; Receiving and assessing 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. The Committee met four times during the course of the financial year under review, two of those being special meetings.

Claims, Compliance and Enforcement Committee meetings: (4 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Jill Corfield (Chairman)	13 October 2016	4	4
2	Ms. Hellen Phaleng-Podile (Deputy Chairman)	13 October 2016	4	3
3	Ms. Amanda Cuba	13 October 2016	4	4
4	Adv. Frans van der Westhuizen	13 October 2016	4	2

4. Education and Training Committee

The 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. The Committee met three times during the course of the financial year under review, one of those being a special meeting.

Education and Training Committee meetings: (6 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Amanda Cuba (Chairman)	13 October 2016	3	3
2	Mr. Manare Legodi (Deputy Chairman)	13 October 2016	3	3
3	Ms. Jill Corfield	13 October 2016	3	3
4	Mr. Phumzile Makhosana	13 October 2016	3	3
5	Ms. Hellen Phaleng-Podile	13 October 2016	3	2
6	Ms. Thandiwe Profit-McLean	13 October 2016	3	2

5. Finance and Investment Committee

The main functions of the Finance and Investment Committee are to review the quarterly and annual financial statements and to recommend the approval thereof to the Board. Further, to consider the Board's investments and budgets and to make recommendations thereon to the Board. The Committee also considers any other financial reports of the Board. The Committee only met once during the course of the financial year under review.

Finance and Investment Committee meetings (5 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Thembeka Semane (Chairman)	13 October 2016	1	1
2	Mr. Yusuf Patel (Deputy Chairman)	13 October 2016	1	1
3	Ms. Eugenia Kula-Ameyaw	13 October 2016	1	1
4	Ms. Hellen Phaleng-Podile	13 October 2016	1	1
5	Ms. Amanda Cuba	13 October 2016	1	0

6. Human Resources and Remuneration Committee

The Board appointed a statutory Committee, namely, the Human Resources and Remuneration Committee. 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. The Committee met three times during the course of the financial year under review, one of those being a special meeting.

Human Resources and Remuneration Committee meetings (7 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Thandiwe Profit-McLean (Chairman)	13 October 2016	3	3
2	Mr. Christo Weilbach (Deputy Chairman)	13 October 2016	3	2
3	Ms. Jill Corfield	13 October 2016	3	2
4	Mr. Jan Davel	13 October 2016	3	2
5	Ms. Eugenia Kula-Ameyaw	13 October 2016	3	3
6	Mr. Manare Legodi	13 October 2016	3	3
7	Ms. Thembeka Semane	13 October 2016	3	3

7. Social and Ethics Committee

The Board appointed a statutory Committee, namely, the Social and Ethics Committee. The mandate of the Social and Ethics Committee is to monitor the organisations activities and ensure that the resolutions passed by the Board are compliant regarding the following five areas of social responsibility: Social and economic development; Good corporate citizenship; the environment, health and public safety; consumer relationships; and labour and employment. Further, to draw matters within its mandate to the attention of the Board as required. The Committee is established to assist the Board with the oversight of social and ethical matters and in ensuring that the EAAB is and remains a committed socially responsible corporate citizen. The commitment to sustainable development involves ensuring that the EAAB conducts business in a manner that meets existing needs without knowingly compromising the ability of future generations to meet their needs. The Committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of Management's efforts in respect of social and ethics and sustainable development related matters. Neither the appointment nor the duties of the Committee reduce the duties or accountability of the Board in any way. The Committee met twice times during the course of the financial year under review.

Social and Ethics Committee meetings (6 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Mr. Jan Davel (Chairman)	13 October 2016	2	1
2	Mr. Gauta Mogomane(Deputy Chairman)	13 October 2016	2	2
3	Mr. Yusuf Patel	13 October 2016	2	2
4	Mr. Phumzile Makhosana	13 October 2016	2	2
5	Ms. Hellen Phaleng-Podile	13 October 2016	2	1
6	Adv. Frans van der Westhuizen	13 October 2016	2	1

8. Transformation Committee

The Transformation Committee was established by the Board in terms of the Board Charter, taking into cognisance the need to address transformation in the property sector. The Transformation Committee aims to comply with and implement all the legislation governing transformation. The EAAB subscribes to the Property Sector Transformation Charter. The Committee is responsible for implementing the principles enshrined in the Property Sector Transformation Charter; and as such the terms of reference of the Committee are aligned with the said Charter. It is the role of the Committee to actively ensure that the fundamental transformation goal of promoting, fostering and implementing democratization of the Real Estate Industry Profession, both internally and externally, to reflect the demographics of South Africa. To achieve compliance to the principles of Broad-Based Black Economic Empowerment through the implementation of a human–centered, interdisciplinary process, designed to create desirable and sustainable changes in behavior and form of individuals, systems and estate agency organisations, with the ultimate goal to create new roles, processes, programs and policies to guide the Real Estate Industry through a committed transformation journey.Neither the appointment nor the duties of the Committee reduce the duties or accountability of the Board in any way. The Committee met twice times during the course of the financial year under review.

Transformation Committee (9 Members)				
No.	**Name**	**Date of Appointment**	**Total Number of Meetings**	**Total Attended**
1	Ms. Eugenia Kula-Ameyaw (Chairman)	13 October 2016	2	2
2	Mr. Phumzile Makhosana (Deputy Chairman)	13 October 2016	2	2
3	Mr. Nkosinathi Biko	13 October 2016	2	1
4	Mr. Yusuf Patel	13 October 2016	2	1
5	Ms. Amanda Cuba	13 October 2016	2	1
6	Mr. Jan Davel	13 October 2016	2	1
7	Mr. Gauta Mogomane	13 October 2016	2	2
8	Ms. Thandiwe Profit-McLean	13 October 2016	2	1
9	Mr. Christo Weilbach	13 October 2016	2	2

FINANCIAL OVERVIEW

FINANCIAL OVERVIEW

Financial Statements for the year ended 31 March 2017

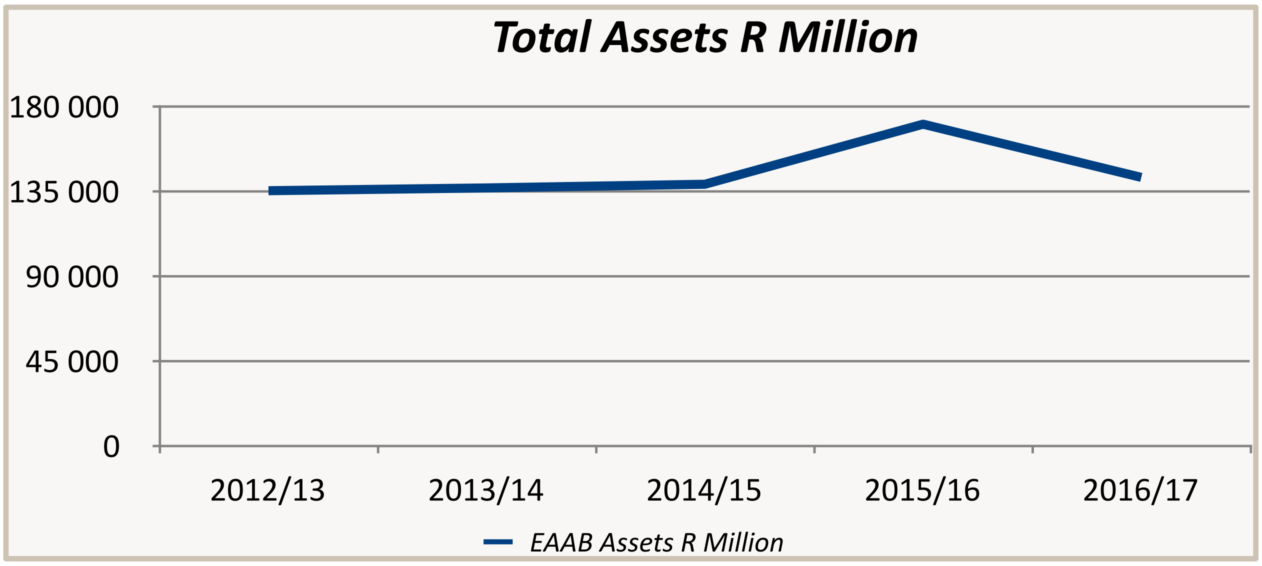
The Estate Agency Affairs Board 5 Year Review

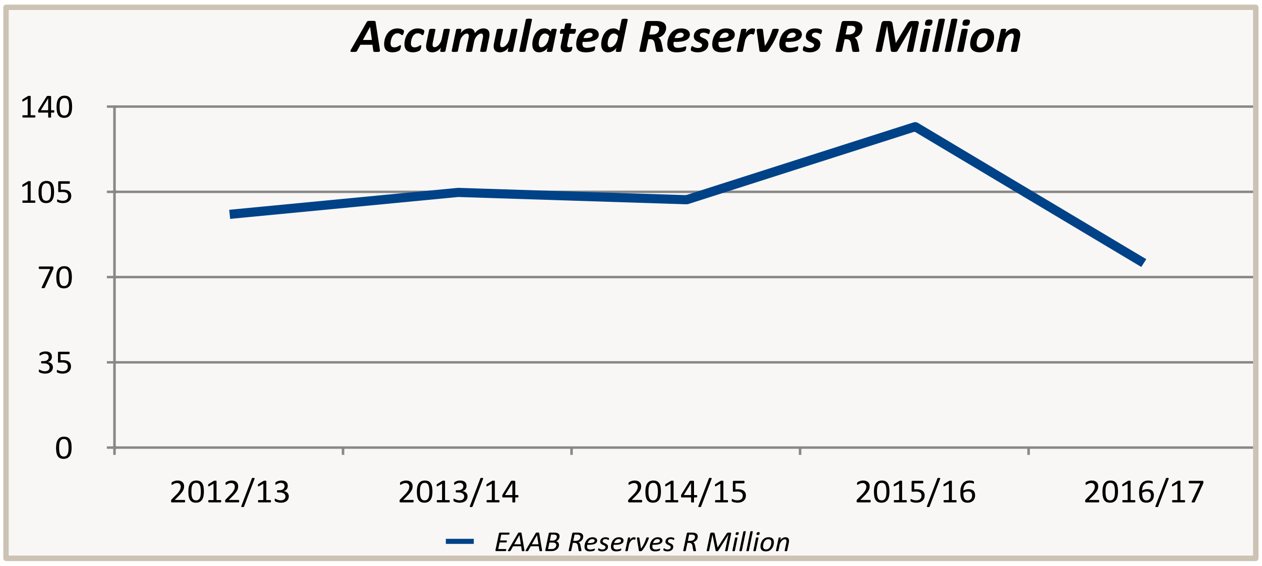
	2016/17 R'000	2015/16 R'000	2014/15 R'000	2013/14 R'000	2012/13 R'000
INCOME STATEMENT					
Revenue - Contributions	20 994	18 067	17 545	16 279	18 662
Revenue - Management Fee	52 095	51 681	51 409	52 253	52 983
Revenue - Examinations	30 172	34 467	11 630	2 541	751
Other Income	13 855	9 039	11 486	9 439	10 663
Operating Expenditure	(45 697)	42 798	(35 709)	(34 243)	(41 516)
Depreciation and Impairments	(4 089)	(3 532)	(3 219)	(2 348)	(366)
Auditors Remuneration	(1 308)	(1 168)	(1 046)	(1 461)	(1 666)
Employee Costs	(122 794)	(66 522)	(57 296)	(36 560)	(49 990)
Board Members & Audit Committee Remuneration	(1 246)	-	-	-	-
Investment Income	1 662	2 312	2 487	2 879	5 771
Gain in disposal of non-current assets	(7)	1	111	-	-
Finance Costs	-	-	-	-	(3)
Net Surplus/(Deficit)	**(56 363)**	**1 549**	**(2 602)**	**8 779**	**(4 711)**
BALANCE SHEET					
Property, Plant and Equipment	104 241	105 246	73 596	73 377	1 738
Non-current assets held for sale	-	-	-	-	-
Intangible Assets	1 559	1 843	2 323	2 055	1 963
Retirement Benefit Assets	-	9 906	-	-	-
Inventories	219	307	129	364	165
Loan Fund - Fidelity Fund	9 012	14 328	12 497	21 868	17 580
Financial Assets	-	-	-	1 355	27 450
Trade and other Receivables	5 923	5 533	2 272	3 940	1 428
Bank and Cash	12 481	33 528	48 025	33 935	85 099
Total Assets	**133 435**	**170 691**	**138 842**	**136 894**	**135 423**
Capital and Reserves	76 470	132 833	102 388	104 990	84 526
Loan Fund - Fidelity Fund	-	-	-	-	-
Current Liabilities	32 331	29 302	27 220	23 681	18 593
Non-current Liabilities	24 634	8 556	9 234	8 223	32 304
Total Equity and Liabilities	**133 435**	**170 691**	**138 842**	**136 894**	**135 423**
CASH FLOWS					
Net cash from operating activities	(23 531)	(8 220)	6 976	1 106	10 673
Net cash from investing activities	2 485	(6 276)	7 113	(52 270)	69 188
Net cash from financing activities	-	-	-	-	(80)
Total movement for the year	**(21 046)**	**(14 496)**	**14 089**	**(51 164)**	**79 781**
Cash at the beginning of the year	33 528	48 024	33 936	85 099	5 318
Total cash at the end of the year	**12 482**	**33 528**	**48 025**	**33 935**	**85 099**
RATIO ANALYSIS					
% Year on year inclease/(decrease) in total assets	(22%)	23%	1%	1%	5%
Profitability and net Asset Management					
Net Asset Value (R'000)	-	132 833	102 388	104 990	84 526
Asset Turnover (%)	135%	78%	79%	68%	86%
Return/ (Deficit) on net Assets (%)	(72%)	1%	(3%)	8%	-6%
Current Ratio	1	2	2	3	7
Operating Margin (%)	(53%)	1%	(3%)	12%	-7%

	2016/17 R'000	2015/16 R'000	2014/15 R'000	2013/14 R'000	2012/13 R'000
Performance					
% Year on year increase/(decrease) in net surplus/ (deficit)	(3 659%)	(160%)	(130%)	(286%)	(43%)
Revenue per employee (R'000)	956	1 428	1 089	935	953
Net surplus/(deficit) per employee (R'000)		-	-	-	-
Number of employees	108	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



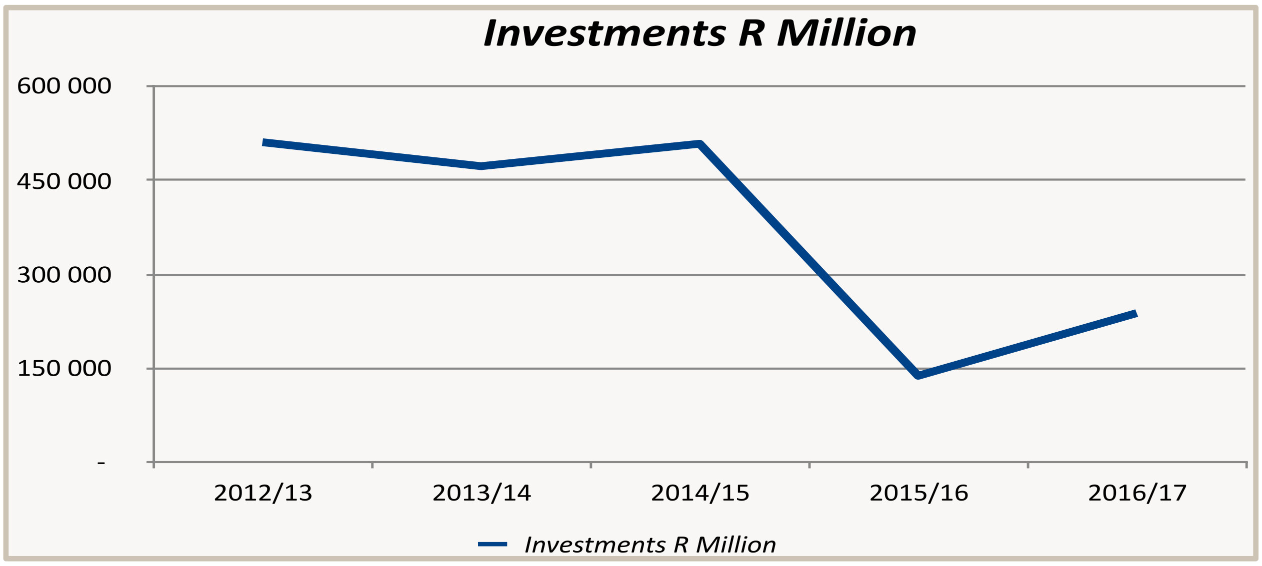


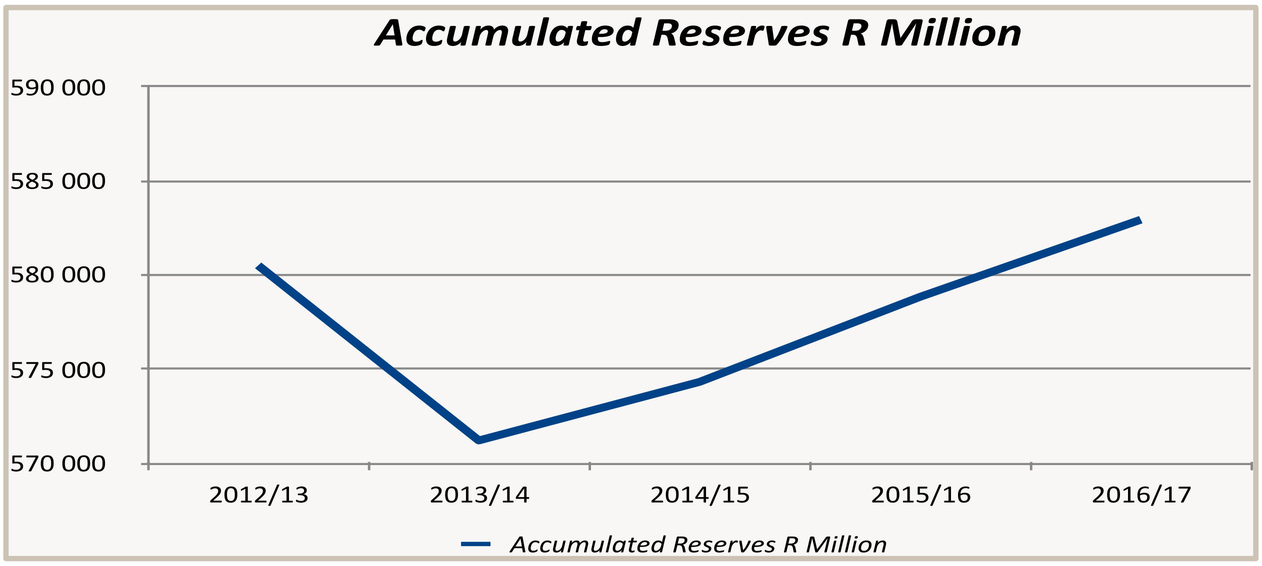
The Estate Agents Fidelity Fund 5 Year Review

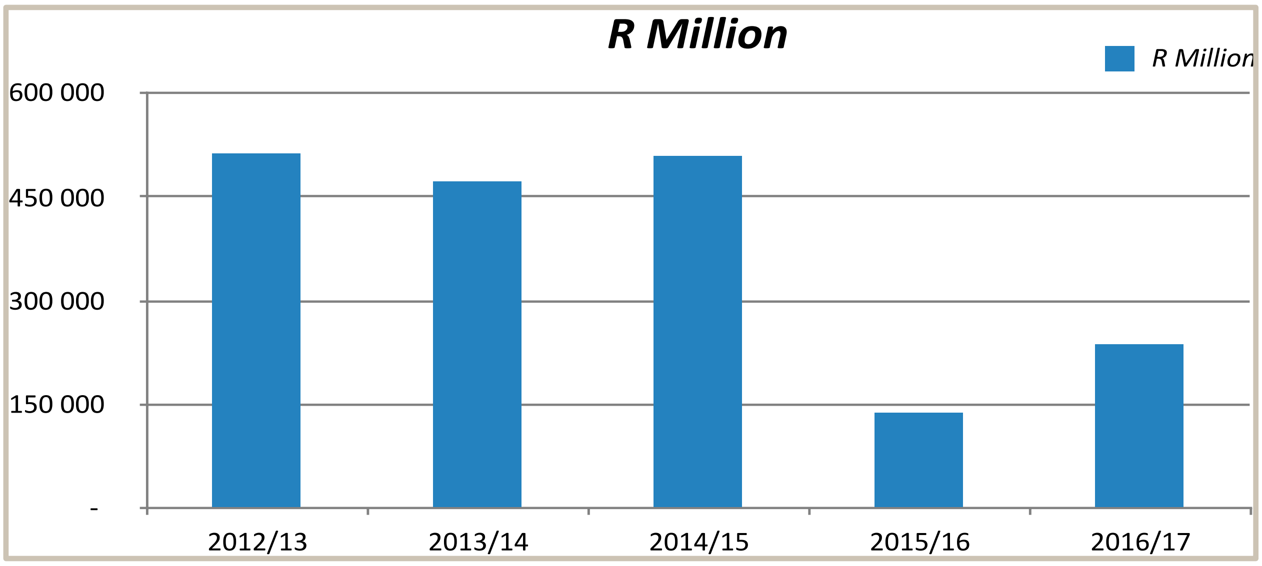
	2016/17 R'000	2015/16 R'000	2014/15 R'000	2013/14 R'000	2012/13 R'000
INCOME STATEMENT					
Revenue - Contributions	42 529	72 119	29 357	19 737	21 796
Other Income	9 778	2 693	3 843	4 608	379
Operating Expenditure	(37 553)	(69 754)	(18 495)	(19 459)	(12 165)
Management Fee - EAAB	(52 095)	(51 681)	(51 409)	(52 253)	(52 983)
Investment Income	13 236	28 599	31 583	28 291	26 687
Fair Value Adjustments	28 200	10 625	8 142	9 703	8 173
	-	-	-	-	-
Net Surplus/(Deficit)	**4 095**	**(7 399)**	**3 021**	**(9 373)**	**(8 113)**
BALANCE SHEET					
Financial Assets	238 371	138 260	508 651	472 814	511 089
Trade and other Receivables	6 722	11 841	3 119	4 697	10 405
Bank and Cash	33 423	457 824	85 406	127 494	86 809
Total Assets	**278 516**	**607 925**	**597 176**	**605 005**	**608 303**
Capital and Reserves	582 932	578 838	574 235	571 213	580 585
Loan Fund - Fidelity Fund					
Current Liabilities	27 584	29 087	22 942	33 792	27 718
Non-current Liabilities					
Total Equity and Liabilities	**610 516**	**607 925**	**597 177**	**605 005**	**608 303**
CASH FLOWS					
Net cash from operating activities	(8 489)	(8 600)	(16 459)	(7 292)	(10 515)
Net cash from investing activities	(415 911)	381 017	(25 628)	47 977	95 071
Total movement for the year	**(424 400)**	**372 417**	**(42 087)**	**40 685**	**84 556**
Cash at the beginning of the year	457 823	85 407	127 494	86 809	2 252
Total cash at the end of the year	**33 423**	**457 824**	**85 407**	**127 494**	**86 808**
RATIO ANALYSIS					
Profitability and net Asset Management					
Net Assets Value (R'000)	578 838,00	574 320,00	571 213,00	580 585,00	588 715,00
Management fee payable to EAAB as a % of net assets	(9%)	(9%)	(9%)	(9%)	(9%)
% Year on year inclease/(decrease) in financial assets (Investment)	72%	(73%)	8%	(7%)	(6%)
% Year on year inclease/(decrease) in total assets	(54%)	2%	(1%)	(1%)	8%
Profitability and net Asset Management					
Asset Turnover (%)	22%	19%	12%	10%	10%
Return on net Assets (%)	(1%)	(1%)	1%	(2%)	-1%
Current Ratio	10	21	26	18	22
Operating Margin (%)	(5%)	(7%)	4%	(16%)	(14%)

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


Investments R Million
600 000
450 000
300 000
150 000
-
2012/13
2013/14
2014/15
2015/16
2016/17
Investments R Million


Accumulated Reserves R Million
590 000
585 000
580 000
575 000
570 000
2012/13
2013/14
2014/15
2015/16
2016/17
Accumulated Reserves R Million


R Million
R Million
600 000
450 000
300 000
150 000
-
2012/13
2013/14
2014/15
2015/16
2016/17

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**

The following values will underscore the Board's behavior 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
- **Trust:** building and maintaining the highest levels of trust and respect in EAAB engagements and interactions with all stakeholders
- **Responsibility:** the authority to make decisions independently and to be accountable for actions taken
- **Respect:** to demonstrate courtesy and regard for one another and for all stakeholders
- **Excellence:** to exceed client expectations in service delivery
- **Communication:** the effective exchange of information in such a manner that there is a mutual understanding
- **Transparency:** conduct all business in a transparent manner

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 Framework Act 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
- The Promotion of Access to Information Act
- The Prevention of Corrupt Activities Act
- Protection of Personal Information Act
- Sectional Title Management Act
- The National Credit Act
- The Consumer Protection Act
- Community Services Ombud Services Act
- Broad Based Black Economic Empowerment Act

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 education and training of estate agents

d. Investigate complaints against estate agents and institute disciplinary proceedings against offending estate agents where required

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 recognizes 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 • **To improve compliance with the Estate Agency Affairs Act.**						
SUB PROGRAMME	**KEY PERFORMANCE INDICATOR**	**Actual Achievements 2015/2016**	**Planned Targets 2016/2017**	**Actual Achievements 2016/2017**	**Deviation from planned target to Actual Achievement for 2016/2017 (under)/over performance**	**Comment on deviations**
Disciplinary	Percentage of complaints resolved within 6 months	64%	80%	82%	2% Over-achieved	The department has now been capacitated
Licensing	Percentage of certificates issued (FFC) to new registered and compliant estate agents within 21 days	84%	90%	97%	7% Over-achieved	The automation of the registration processes had an impact on the department
	Percentage renewal certificates (FFC) issued to current registered and compliant estate agents issued within 5 days	81%	95%	82%	(13%) Under-achieved	System downtime and lack of capacity
Inspection	Number of self-assessment evaluation received	N/A	500	479	(21) Under-achieved	The self-assessment portal went live in the 4th quarter of the financial year, and this resulted in the target not being achieved

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 sector through creating awareness of the education requirements.

PROGRAMME 2: EDUCATION AND TRAINING						
Strategic Objectives • **To build capacity of key stakeholders**						
SUB-PROGRAMME	**KEY PERFORMANCE INDICATOR**	**Actual Achievements 2015/2016**	**Planned Targets 2016/2017**	**Actual Achievements 2016/2017**	**Deviation from planned target to Actual Achievement for 2016/2017 (under)/over performance**	**Comment on deviations**
Professional Designation Examination	Percentage of NQF level 4 and 5 candidates wrote the PDE and received results	99%	95%	100%	5% Over-achieved	The automation of education and training processes had an impact
Estate agent Stakeholder engagements	Number of estate agent seminars performed	68	18	18	0%	Target achieved
Estate agent publications	Number of AGENT magazines published and issued	4	4	4	0	Target achieved
Consumer awareness campaigns	Number of consumer awareness campaigns performed	17	18	57	39 Over-achieved	More effort was placed on educating consumers in the hope that there would be fewer claims against the Fidelity Fund

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 defrauded by Estate Agents.

PROGRAMME 3: FIDELITY FUND						
Strategic Objectives • **To improve the sustainability of the Fidelity Fund**						
SUB PROGRAMME	**KEY PERFORMANCE INDICATOR**	**Actual Achievements 2015/2016**	**Planned Targets 2016/2017**	**Actual Achievements 2016/2017**	**Deviation from planned target to Actual Achievement for 2016/2017 (under)/over performance**	**Comment on deviations**
Claims against the Fidelity Fund	Percentage of claims finalised for payments within 6 months	69%	40%	100%	60% Over-achieved	Improvement of the turn-around time for paying claims now 20 days
Collection of interest from Estate Agency Trust accounts	Percentage increase in interest from estate agency trust accounts collected within 30 days of due dates	87%	40%	89%	49% Over-achieved	This was due to automation of the audit compliance department

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 2015/2016**	**Planned Targets 2016/2017**	**Actual Achievements 2016/2017**	**Deviation from planned target to Actual Achievement for 2016/2017 (under)/over performance**	**Comment on deviations**
Compliance and Internal Control environment	Percentage in resolving of audit findings raised within the agreed turnaround time	49%	90%	85%	5% Under-achieved	IT infrastructure that required to be implemented was delayed due to budget constraints
Human Resource Management	Percentage reduction in vacancy rate	12%	13%	7%	6% Over-achieved	Vacancy rate is kept to a minimum
ICT management	Percentage of implementation of ICT annual strategy	25%	92%	84%	(8%) Under-achieved	Due to budget constraints, some projects had to be moved to the coming financial year.
Customer Relations	Percentage of queries received from stakeholders and resolved within 48 hours.	76%	95%	71%	(24%) Under-achieved	System down time contributed the lower performance.

8. PROGRAMME 5: CONTRIBUTION TO MEDIUM TERM STRATEGIC FRAMEWORK

Strategic objectives

To promote and implement government-wide priorities. This is through

- Consumer education
- Placement of unemployed youth with Principal Estate Agents.
- Transactional support
- Issuing of title deeds

Consumer education:

Consumer Education Programme and target group (Subsidy/affordable). The Estate Agency Fidelity fund is expected to contribute 5% of its annual expenditure to consumer awareness activities.

PROGRAMME 5: CONSUMER EDUCATION

Strategic Objectives

- **To improve the sustainability of the Fidelity Fund**

SUB PROGRAMME	KEY PERFORMANCE INDICATOR	Actual Achievements 2015/2016	Planned Targets 2016/2017	Actual Achievements 2016/2017	Deviation from planned target to Actual Achievement for 2016/2017 (under)/over performance	Comment on deviations
Consumer Education	Number of consumers reached through National radio	N/A	400 000	**23,527,000**	23,127,000 Over-achieved	More radio interviews took place
	Number of consumers reached through Community radio	N/A	400 000	**19,369,000**	18,969,000 Over-achieved	More radio interviews took place
	Print media – Awareness	N/A	100 000	**190,000**	90 000 Over-achieved	Consumer articles placed in more newspapers
Transformation	Number of Interns placed with Principal Estate Agencies	2 298	3 100	**4 607**	1 507 Over-achieved	Due our consumer campaigns it led to more people interested in entering the property sector
Development transactional support programmes in the affordable housing market developed	Transactional support-data/information on industry trends and analysis	N/A	Quarterly data / information on industry trends and analysis available	25% Quarterly data/ information on industry trends and analysis available	(75%) Under-achieved	Information was only received for one quarter of the financial year
Issuing of Title Deeds	Project management and secretarial support to eradicate the tile deeds back log by 2019	N/A	Project management and secretarial support in the Implementation Plan	100% Project management and secretarial support in the Implementation Plan	0	N/A

Consolidated and Separate Financial Statements

for the year ended 31 March 2017

ESTATE AGENCY AFFAIRS BOARD CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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 (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 2018 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 82-88.

The consolidated and separate financial statements set out on pages 90 to 136, which have been prepared on the going concern basis, were approved on 30 August 2017 and were signed on its behalf by:

Nkosinathi Biko
Chairman of the Board

Bryan Chaplog (CA)SA
Chief Executive Officer and Accounting Authority

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

Audit and risk committee members and attendance

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

Name of member	Number of meetings attended
Kyansambo Vundla (Chairperson) (Appointed: 1 February 2013) – Independent Non-Executive	5 (No. of meetings held: 5)
Moope Mphahlele (Appointed: 1 February 2013) – Independent Non-Executive	5 (No. of meetings held: 5)
Tendai Mapenda (Appointed: 1 February 2016) – Independent Non-Executive	5 (No. of meetings held: 5)
Phehello Tsotetsi (Appointed: 01 May 2016) – Independent Non-Executive	4 (No. of meetings held: 4)
Eugenia Kula-Ameyaw (Appointed 13 October 2016) – Board Member	2 (No. of meetings held: 2)
Thembeka Semane (Appointed: 13 October 2016) – Board Member	2 (No. of meetings held: 2)

Audit and risk committee responsibility

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

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

The effectiveness of internal control

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

Evaluation of financial statements

The audit and risk committee has:

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

The audit and risk committee concur with and accept the external auditors' 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 for none months of the financial year in accordance with the internal audit plan as approved by the audit and risk committee.

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

Independent Audit

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

MS K VUNDLA
CHAIRPERSON OF THE AUDIT COMMITTEE
DATE: 30 AUGUST 2017

INDEPENDENT AUDITOR'S REPORT

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

Report on the audit of the consolidated and separate financial statements

Qualified Opinion

We have audited the consolidated and separate financial statements of the Estate Agency Affairs Board of South Africa set out on pages 90 to 136 which comprise the consolidated and separate statement of financial position as at 31 March 2017, consolidated and separate statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Estate Agency Affairs Board of South Africa as at 31 March 2017, and the consolidated financial performance and consolidated cash flows for the year then ended in accordance with Generally Recognized Accounting Practices and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for Qualified Opinion

Revenue recognition on a cash basis instead of accrual basis: Examination fees

We were unable to obtain sufficient appropriate audit evidence for the examination revenue from examination fees for Professional Development Exam (PDE 4 and 5). The Estate Agency Affairs Board of South Africa and its controlled entity did not maintain proper systems of internal controls and policies which are compliant with the GRAP 9: Revenue from exchange transactions requirements of recognising revenue on an accrual basis instead of cash basis. We identified discrepancies between data from Examination Department and the Finance Department as revenue is being recognised on a cash basis. We could not confirm completeness and accuracy of the group's revenue by alternative means. Consequently, we are unable to determine whether any adjustment was necessary to the consolidated and separate financial statements for the revenue of R1 201 010 (2016: R1 617 670) in the financial statements.

Completeness of revenue from contributions

There are inadequate internal IT application control systems in place with regards to processing, analysing and reporting on FFC revenue as evidenced by the duplicated Estate Agents and FFC numbers on the earliest revenue source document that is the FFC database. In the absence of effective internal IT application control systems we could not ascertain the extent of the adjustment required to the consolidated and separate financial statements for the revenue of R22 330 444 (2016: R19 946 019) in the financial statements.

Classification of unallocated receipts

We were unable to obtain sufficient appropriate audit evidence over classification of the unallocated receipts as disclosed in the financial statements. We have identified amounts that were included in the unallocated account which should have been cleared by or correctly classified as either revenue or receipts from debtors. Due to this fact, unallocated receipts that are classified as liabilities were supposed to have been classified as either revenue or receivables. The full extent of the misstatements thereof could not be determined. The balance of unallocated receipts as at year end is R 4 719 420 for the Estate Agency Affairs Board of South Africa, R 2 481 518 for the Estate Agency Fidelity Fund of South Africa with a consolidated balance of R 7 200 938.

Minutes of the Board and its sub-committees

The Estate Agency Affairs Board of South Africa and its controlled entity did not maintain or submit all the approved minutes of its board and board sub-committees for audit purposes as required by the Public Finance Management Act No. 29 of 1999, Section 54. In the absence of some minutes of the Board, Section 8A Committee and Audit and Risk committees, we are not certain as to how the contents thereof affect the appropriateness of the going concern assumption, completeness of Board remuneration, commitments and contingencies and existence of material subsequent events. Our alternative procedures of circularisation of Board remuneration certificates and lawyers confirmation could not provide the needed assurance as we did not receive the required responses. Considering the fact that the aforementioned affects the completeness assertion, we could not ascertain the required adjustments to the balances, classes of transactions and relevant disclosures requirements by any alternative procedure.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the public entity and its controlled entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct for registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa.

The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

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

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

Emphasis of matter

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

Conversion of employees from a defined benefit category to a defined contribution category

An actuarial conversion valuation was performed as at 31 October 2016 (the date of conversion from a defined benefit fund to a defined contribution fund). The results of the conversion are disclosed on note 6 of the financial statements which also indicate a capital injection by the Estate Agency Affairs Board of R19,47 million. There is a statutory actuarial valuation that is due to be performed for the financial year ended 31 March 2017 for the Pension Fund. This will confirm the extent of the funding gap and the actual required capital injection to be made by the Estate Agency Affairs Board.

Irregular expenditure

As disclosed in note 26 of the financial statements, irregular expenditure to the amount of R 1 169 238 was incurred, as the requirements of Treasury Regulations and Supply Chain Management Policy were not adhered to.

Other matters

We draw attention to the other matters below. Our opinion is not modified in respect of these matters:

Secondment of the Chief Executive Officer

The Chief Executive Officer was seconded to Housing Development Agency from the 10th of February 2017 and effectively left in May 2017. The Board elected a Section 8A Executive Committee made up of 4 Board members being the Board Chairperson, Vice Board Chairperson and two members of the Board who are also Audit and Risk Committee members. The Executive Committee took up the responsibilities of the Chief Executive Officer. The Acting Chief Executive Officer was appointed on the 24th of July 2017.

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 and become effective on 13 October 2016.

Resignation of Audit and Risk Committee members after the reporting date

Three independent Audit and Risk Committee members resigned after the year end as disclosed on note 25 in the financial statements. The resignations were not yet accepted by the Executive Authority as at the date of this report.

Going concern

Without qualifying our opinion, we draw attention to the Statement of Financial Performance of the Board and its controlled entity in the annual financial statement which indicates that the Board incurred a deficit of R 56 362 783 for the year ended 31 March 2017.

Responsibilities of the Accounting authority for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Generally Recognized 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.

In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the Estate Agency Affairs Board of South Africa and its controlled entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Estate Agency Affairs Board of South Africa and its controlled entity's or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

A further description of our responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to the auditor's report.

Report on the audit of the annual performance report

Introduction and scope

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof we have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. We performed procedures to identify findings but not to gather evidence to express assurance.

Our procedures address the reported performance information which must be based on the approved performance planning documents of the schedule 3A entity. We have not evaluated the completeness and appropriateness of the performance indicators/ measures established and included in the planning documents. Our procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information relating to future periods that may be included as part of the reported performance information. Accordingly our findings do not extend to these matters.

We evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the Performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the schedule 3A entity for the year ended 31 March 2017:

Programme 1	Compliance	pg 72
Programme 2	Education and Training	pg 72
Programme 3	Fidelity Fund	pg 73
Programme 5	Contribution to MTSF	pg 74

We performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. We performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

The material findings in respect of the usefulness and reliability of the selected objectives are as follows:

Programme 1 – Compliance

1.1 Percentage of complaints resolved within 6 months

The target of 80% for this indicator was not measurable as it did not specify the cut-off dates for the denominator during the planning process, as required by the FMPPI.

1.2. Percentage of certificates issued (FFC) to new registered and compliant estate agency within 21 days

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 90%. This was due to discrepancies between data provided to audit performance information and contributions revenue from Estate agents – new registration, duplicated Fidelity Fund Certificate numbers and FFC print date that is before the request date numbers. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 97%.

1.3. Percentage renewal certificates (FFC) issued to current registered and compliant estate agency issued within 5 days

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 95%. This was due to discrepancies between data provided to audit performance information and contributions revenue from renewals of estate agents, duplicated Fidelity Fund Certificate numbers and FFC print date that is before the request date numbers. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 82%.

Programme 2 – Education and Training

2.1. Percentage of NQF level 4 & 5 candidates wrote the PDE and received results

The target was reported as 95% while the target was approved as 95% and 100% in the annual performance plan. This is not in line with the requirements of treasury regulation 30.1.3(g).

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 95%/100%. This was due to candidates who were allocated seat numbers to write the examinations but not on the list of candidates who have paid the prescribed fee, candidates who wrote the examination and received their examination results without being allocated a seat number and payment of registration and duplicate exam seat numbers. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 100%.

Programme 3 – Fidelity Fund

3.1. Percentage of claims finalised for payments within 6 months

The target 40% for this indicator was not measurable as it did not specify the cut- off dates for the denominator during the planning process, as required by the FMPPI.

3.2. Percentage increase in interest from estate agency trust accounts collected within 30 days of due dates

The method of calculation was not aligned to the definition of the key performance indicator on the technical indicator description that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. We were unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 89%.

In addition, the reported achievement for target 40% was misstated as the evidence provided indicated R 38 895 717 and not 89% as reported.

Programme 5 – Contribution to MTSF

5.1. Number of consumers reached through radio- National

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 400 000. This was due to limitations placed on the scope of our work regarding the podcasts. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 23 527 000.

In addition, we were unable to obtain sufficient appropriate evidence that clearly defined the predetermined method of collection to be used when measuring the actual achievement for the indicator, as required by the Framework for managing programme performance information. This was due to a lack of documented system description. We were unable to test whether the indicator was well-defined by alternative means.

5.2. Number of consumers reached through radio – Community

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 400 000. This was due to limitations placed on the scope of our work regarding the podcasts. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 19 369 000.

In addition, we were unable to obtain sufficient appropriate evidence that clearly defined the predetermined method of collection to be used when measuring the actual achievement for the indicator, as required by the Framework for managing programme performance information. This was due to a lack of documented system description. We were unable to test whether the indicator was well-defined by alternative means.

5.3. Print media – Awareness

The target was reported as 100 000 while the target was approved as 600 000 and 100 000 in the annual performance plan. This is not in line with the requirements of treasury regulation 30.1.3(g).

In addition, we were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 600 000/100 000. This was due to limitation of scope regarding the magazines and statistics of the magazines distributed a lack of technical indicator description and documented system description that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. We were unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 190 000.

5.4. Number of Interns placed with Principal Estate Agencies

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target 3100. This was due to limitation of scope, discrepancies between data used to calculate the actual achievement on the Annual performance report and from the IT division. We were unable to confirm the reported achievement by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of 4 607.

5.5. Transactional support-data/information on industry trends and analysis

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target "Quarterly data/ information on industry trends and analysis available". This was due to a lack of technical indicator description and documented system description that predetermined how the achievement would be measured, monitored and reported, as required by the Framework for managing programme performance information. We were unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of "25% Quarterly data/ information on industry trends and analysis available".

5.6. Project management and secretarial support to eradicate Title deeds back-log by 2019

We were unable to obtain sufficient appropriate audit evidence for the reported achievement of target "Project management and secretarial support in the Implementation Plan". This was due to submission of unsigned minutes of the National Steering Committee (NSC) meetings for some quarters .We were unable to confirm that the reported achievement of this indicator was reliable by alternative means. Consequently, we were unable to determine whether any adjustments were required to the reported achievement of "100% Project management and secretarial support in the Implementation Plan".

Other matter

We draw attention to the matters below. Our opinions are not modified in respect of these matters.

Achievement of planned targets

Refer to the annual performance report on pages 70 to 75 for information on the achievement of planned targets for the year and explanations provided for the under/over-achievement of a number of targets. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information.

Adjustment of material misstatements

We identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Compliance, Education and Training, Fidelity Fund and Contribution to MTSF. As management subsequently corrected some and not all of the misstatements, we reported material findings on the usefulness and reliability of the reported performance information. Those that were not corrected are included in the material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the Schedule 3A entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Revenue Management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1) (b) (i) of the PFMA and/or treasury regulation 31.1.2(a) and (e).

Procurement

Employees in the service of the Estate Agency Affairs Board who had a business interest in contracts awarded by the entity failed to disclose such interest, as required by Treasury Regulation 16A8.4.

Annual financial statements, performance report and annual report

The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1) (a) and (b) section 54 (1) of the PFMA and section 10 of the Estate Agency Affairs Act, 1976.

The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1) (b) of the Public Finance Management Act, as the financial statements needed material reclassification adjustments and correction and disclosures of post-retirement medical aid and pension liabilities and subsequent events.

Strategic planning and performance management

The annually updated strategic plan was requested but not submitted for audit purposes, as required by Treasury Regulations 30.1.3.

Internal audit

The entity operated without an internal audit function for the last three months of the financial year, in contravention of treasury regulations 27.2.2 and section 51(1) (a) (ii) of the Public Finance Management Act.

Audit Committee Composition

The Audit and Risk Committee did not adhere to the Treasury Regulations 27.1.6 which require the committee to comply with their terms of reference. Non-independent members of the Audit & Risk Committee performed management responsibilities as part of their section 8A Committee duties, from February 2017 and thus not in line with the above mentioned requirements.

Reportable Irregularities

In accordance with our responsibilities in terms of sections 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified reportable irregularities in terms of the Auditing Profession Act. We have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described below:

1) Some minutes of the meetings of the Board and its committees, and other relevant audit information that was requested for the audit purposes was not made available. These minutes of meetings and other documents should be maintained as required by the Public Finance Management Act section 54(1) and 40, and section 10 of the Estate Agency Affairs Act, 1976. The reportable irregularity was still continuing as at the date of this report some the minutes were still outstanding.

2) Those charged with governance procured certain forensic professional services above R500 000 without following through a competitive bidding process after reporting date as required by PN 8 of 2007/08 paragraph 3.4.1 and Treasury regulations 16A6.1. The reportable irregularity is continuing as deviations were approved by the accounting officer even though it was not impractical to invite competitive bid.

Other information

The Estate Agency Affairs Board of South Africa and its controlled entity's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate. The other information does not include the consolidated and separate financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements except for the statement of the budget which is not adjusted with the revised budget and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on reading these reports we have not identified material inconsistencies between the reports and the audited financial statements.

Internal control deficiencies

We considered internal controls relevant to our audit of the consolidated and separate financial statements, performance report and compliance with legislation; however the objective is not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

The following deficiencies were noted that led to the basis for qualifications;

The following deficiencies were noted that led to the basis for qualifications;

Leadership

Limited effective leadership was provided in ensure that the financial and performance information reported was accurate.

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

Financial and performance management

Management did not ensure that adequate record keeping is in place and available in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial and performance reporting.

INDEPENDENT AUDITOR'S REPORT*...continued*

Financial Statements for the year ended 31 March 2017

Management did not ensure the controls over daily and monthly processing and reconciling of unallocated receipts, examination fees revenue and contribution revenue transactions were working effectively.

Insufficient design and implementation of formal controls over IT systems to ensure the reliability of the systems and the availability, accuracy and protection of information.

Other reports

We draw attention to the following engagement currently being conducted that could potentially have an impact on the matters reported on the public entity's financial performance and compliance related matters. The report noted does not form part of neither our opinion on the financial statements, our findings on the reported performance information nor compliance with legislation.

Investigations

A consultant was appointed to audit and investigate the suspense accounts and to perform a controls review as a follow up to the Forensic investigation that was done previously. The investigation is still in progress and the conclusion is expected in the last week of August 2017

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane &Co (JHB) Inc. has been the auditor of Estate Agency Affairs Board of South Africa and its controlled entity for four years.

Ngubane & Co

Edwin T Chapanduka
Ngubane & Co (JHB) Inc.
Director
Registered Auditor

30 August 2017
Midrand

Annexure – Auditor's responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional skepticism throughout our audit of the consolidated and separate financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the consolidated and separate financial statements as described in the auditor's report, we also:

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

Communication with those charged with governance

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

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

Financial Statements for the year ended 31 March 2017

		Group		Board	
		2017	2016	2017	2016
	Notes	R	R	R	R
Assets					
Current Assets					
Inventories	7	219,231	306,620	219,231	306,620
Loan fund - Fidelity Fund	4	-	-	9,011,655	14,328,538
Financial assets	5	238,370,851	138,259,781	-	-
Trade and other receivables from exchange transactions	8	12,645,844	17,375,036	5,923,556	5,533,076
Cash and cash equivalents	9	45,904,534	491,351,836	12,481,357	33,528,215
		297,140,460	**647,293,273**	**27,635,799**	**53,696,449**
Non-Current Assets					
Property, plant and equipment	2	104,240,558	105,246,043	104,240,558	105,246,043
Intangible assets	3	1,558,650	1,842,847	1,558,650	1,842,847
Financial assets	5	332,000,000	-	-	-
Employee benefit asset	6	-	9,906,000	-	9,906,000
		437,799,208	**116,994,890**	**105,799,208**	**116,994,890**
Total Assets		**734,939,668**	**764,288,162**	**133,435,007**	**170,691,339**
Liabilities					
Current Liabilities					
Trade and other payables	11	45,830,048	38,868,262	27,257,630	24,176,226
Provisions	10	4,578,109	4,753,120	4,578,109	4,686,062
Current portion of post-retirement medical aid liability		495,000	440,000	495,000	440,000
		50,903,157	**44,061,382**	**32,330,739**	**29,302,288**
Non-Current Liabilities					
Post -retirement pension fund liability	6	15,771,000	-	15,771,000	-
Non-current portion of post-retirement medical aid liability		8,863,000	8,556,000	8,863,000	8,556,000
		24,634,000	**8,556,000**	**24,634,000**	**8,556,000**
Total Liabilities		**75,537,157**	**52,617,382**	**56,964,739**	**37,858,288**
Net Assets		**659,402,511**	**711,670,780**	**76,470,268**	**132,833,051**
Net Assets					
Reserves					
Revaluation reserve		30,306,601	30,306,601	30,306,601	30,306,601
Accumulated surplus		629,095,910	681,364,179	46,163,667	102,526,450
Total Net Assets		**659,402,511**	**711,670,780**	**76,470,268**	**132,833,051**

STATEMENT OF FINANCIAL PERFORMANCE

Financial Statements for the year ended 31 March 2017

		Group		Board	
		2017	2016	2017	2016
	Notes	R	R	R	R
Revenue from exchange transactions	12	135,131,550	124,653,460	103,261,824	104,215,339
Other income	13	23,632,331	11,732,440	13,854,531	9,039,499
Operating expenses	14	(83,778,227)	(60,856,587)	(45,697,132)	(42,798,237)
Auditors' remuneration		(1,308,053)	(1,167,901)	(1,308,053)	(1,167,901)
Depreciation and amortisation	2	(4,125,638)	(3,531,986)	(4,089,420)	(3,531,986)
Employee costs	15	(122,178,259)	(66,521,507)	(122,794,256)	(66,521,507)
Board members emoluments	22	(1,047,343)	(1,233,324)	(1,047,343)	(1,233,324)
Audit committee emoluments	22	(168,123)	(126,756)	(168,123)	(126,756)
Impairment loss and asset write offs	16	(29,405)	(50,035)	(29,405)	(50,035)
Operating (deficit) surplus		**(53,871,167)**	**2,897,804**	**(58,017,377)**	**(2,174,908)**
Investment income		1,610,349	1,842,759	1,662,045	2,312,368
Gain on disposal of non-current assets		(7,451)	1,024	(7,451)	1,024
(Deficit) surplus for the year		**(52,268,269)**	**4,741,587**	**(56,362,783)**	**138,484**

STATEMENT OF CHANGES IN NET ASSETS

Financial Statements for the year ended 31 March 2017

	Revaluation reserve	Accumulated surplus	Total net assets
	R	R	R
Group			
Balance at 01 April 2015	**-**	**676,622,592**	**676,622,592**
Revaluation of land and building	30,306,601	-	30,306,601
Deficit for the year	-	4,741,587	4,741,587
Balance at 01 April 2016	**30,306,601**	**681,364,179**	**711,670,780**
Surplus for the year	-	(52,268,269)	(52,268,269)
Balance at 31 March 2017	**30,306,601**	**629,095,910**	**659,402,511**
Board			
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 01 April 2016	**30,306,601**	**102,526,450**	**132,833,051**
Surplus for the year	-	(56,362,783)	(56,362,783)
Balance at 31 March 2017	**30,306,601**	**46,163,667**	**76,470,268**

CASH FLOW STATEMENT

Financial Statements for the year ended 31 March 2017

		Group		Board	
		2017	2016	2017	2016
	Notes	R	R	R	R
Cash flows from operating activities					
Receipts					
Cash received from estate agents and other sources		174,622,963	114,317,818	130,129,665	99,910,195
Interest income		1,610,349	1,842,759	1,662,045	2,312,368
		176,233,312	116,160,577	131,791,710	102,222,563
Payments					
Cash paid to suppliers and employee costs		(186,737,162)	(124,187,213)	(155,323,068)	(110,443,047)
Net cash flows from operating activities	18	**(10,503,850)**	**(8,026,636)**	**(23,531,358)**	**(8,220,484)**
Cash flows from investing activities					
Purchase of property, plant and equipment	2	(2,426,582)	(4,072,800)	(2,426,582)	(4,072,800)
Proceeds from sale of property, plant and equipment	2	2,521	2,521	2,521	2,521
Purchase of other intangible assets	3	(408,322)	(374,304)	(408,322)	(374,304)
Changes in the loan fund		-	-	5,316,883	(1,831,241)
Movements of financial assets		(432,111,069)	370,391,535	-	-
Net cash flows from investing activities		**(434,943,452)**	**365,946,952**	**2,484,500**	**(6,275,824)**
Net increase/(decrease) in cash and cash equivalents		**(445,447,302)**	**357,920,316**	**(21,046,858)**	**(14,496,308)**
Cash and cash equivalents at the beginning of the year		491,351,836	133,431,520	33,528,215	48,024,523
Cash and cash equivalents at the end of the year	9	**45,904,534**	**491,351,836**	**12,481,357**	**33,528,215**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Financial Statements for the year ended 31 March 2017

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	32,236,099	-	**32,236,099**	22,330,444	**(9,905,655)**	Note 1
Interest on trust funds	27,494,681	-	**27,494,681**	41,192,969	**13,698,288**	Note 2
Investment income	45,292,011	-	**45,292,011**	43,122,391	**(2,169,620)**	Note 3
Income from examinations	33,489,300	-	**33,489,300**	30,172,050	**(3,317,250)**	Note 4
Claims recoverable	5,000,000	-	**5,000,000**	9,733,186	**4,733,186**	Note 5
Other income	12,317,025	-	**12,317,025**	13,874,885	**1,557,860**	Note 6
Total revenue from exchange transactions	**155,829,116**	**-**	**155,829,116**	**160,425,925**	**4,596,809**	
Expenditure						
Employee costs	(81,388,770)	-	**(81,388,770)**	(122,794,256)	**(41,405,486)**	Note 7
Board members remuneration	(2,191,183)	-	**(2,191,183)**	(1,047,343)	**1,143,840**	Note 8
Administrative costs	(68,068,712)	-	**(68,068,712)**	(88,852,595)	**(20,783,883)**	Note 9
Total expenditure	**(151,648,665)**	**-**	**(151,648,665)**	**(212,694,194)**	**(61,045,529)**	
Surplus (deficit)	**4,180,451**	**-**	**4,180,451**	**(52,268,269)**	**(56,448,720)**	

NOTES

Note1: FFC Contributions

FFC Contributions was less than budget. The new levies were published and effective during the financial year. However, firms with a turnover of R2.5 million or less were subsequently exempted from paying levies. This was done to bolster transformation by making cost of compliance less for small firms.

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. The compliances is due to ease of submission as a results of the online auditors portal.

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. The funds have since been invested in new investment products during the financial year.

Note 4: Examinations

Income from examinations was fairly on target.

Note 5: Claims paid and recoverable

Claims recoverable were more than budgeted due to most claims considered by the Board during the financial year. These claims are paid and recoverable during the year under review.

Note 6 : Other income

Other income generated is more than the budget due to more fines and penalties imposed.

Note 7: Employee costs

The employee costs are above budget due to the curtailment costs and 10% approved increases in pension benefits arising from the conversion of the defined benefit plan to the defined contribution plan during the year.

Note 8: Board members remuneration

Board members remuneration was less than budgeted due to less number of meetings. The newly appointed Board members assumed duty from 01 July 2016.

Note 9: Administrative 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	30,760,150	-	**30,760,150**	20,994,378	**(9,765,772)**	Note 1
Management fee	52,272,013	-	**52,272,013**	52,095,396	**(176,617)**	Note 2
Investment income	2,209,851	-	**2,209,851**	1,662,045	**(547,806)**	Note 3
Examinations	33,489,300	-	**33,489,300**	30,172,050	**(3,317,250)**	Note 4
Other income	12,317,025	-	**12,317,025**	13,854,531	**1,537,506**	Note 5
Total revenue from exchange transactions	**131,048,339**	**-**	**131,048,339**	**118,778,400**	**(12,269,939)**	
Expenditure						
Employee costs	(81,388,770)	-	**(81,388,770)**	(122,794,256)	**(41,405,486)**	Note 6
Board members remuneration	(2,191,183)	-	**(2,191,183)**	(1,047,343)	**1,143,840**	Note 7
Administrative costs	(44,495,371)	-	**(44,495,371)**	(51,299,584)	**(6,804,213)**	Note 8
Total expenditure	**(128,075,324)**	**-**	**(128,075,324)**	**(175,141,183)**	**(47,065,859)**	
Surplus/(deficit)	**2,973,015**	**-**	**2,973,015**	**(56,362,783)**	**(59,335,798)**	

NOTES

Note1: FFC Contributions

FFC Contributions was less than budget. The new levies were published and effective during the financial year. However, firms with a turnover of R2.5 million or less were subsequently exempted from paying levies. This was done to bolster transformation by making cost of compliance less for small firms.

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

Less interest was received than budgeted; due to less capital maintained in the interest generating accounts due to liquidity requirements.

Note 4: Examinations

Income from examinations was fairly on target, with just 7% below target. This was mainly due to lower participation in exams and Continuing Professional Development training by estate agents.

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 above budget due to the curtailment costs and 10% approved increases in pension benefits arising from the conversion of the defined benefit plan to the defined contribution plan during the year.

Note 7: Board members remuneration

Board members remuneration was less than budgeted due to less number of meetings. The newly appointed Board members assumed duty from 01 July 2016.

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

Financial Statements for the year ended 31 March 2017

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 economic entity 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 all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

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 revenue and expenses of a controlled entity are included in the consolidated financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's financial statements at the acquisition date.

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 date.

1.3 Consolidation (continued)

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of 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 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 end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of 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.

Non-controlling interest in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

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.

1.4 Significant judgements, estimates and assumptions (continued)

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 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.

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.

1.5 Property, plant and equipment (continued)

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 building 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

1.5 Property, plant and equipment (continued)

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the economic entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The economic entity assesses at each reporting date whether there is any indication that the economic entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the economic entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Assets which the economic entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The economic entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note).

The economic entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

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.

1.6 Financial instruments (continued)

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.

1.6 Financial instruments (continued)

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.

1.6 Financial instruments (continued)

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.

1.10 Intangible assets (continued)

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 2016/04/01 to 2017/03/31.
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 contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Defined benefit plans

The economic entity provides a defined benefit pension plan for the benefit of its current pensioners.

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.

1.12 Employee benefits (continued)

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.

1.13 Provisions and contingencies (continued)

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 20.

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.

1.14 Related parties (continued)

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.

1.15 Revenue from exchange transactions (continued)

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.
- Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.
- Penalties charged to agents on the late renewal of an FFC are recognised upon issue of the FFC.
- Penalties on the late submission of auditors reports are recognised when cash is received.
- Advertising fee is recognised when the advertisement is published.
- All other income is recognised when the related FFC is issued.

1.16 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	
	2017	**2016**	**2017**	**2016**
	R	**R**	**R**	**R**

2. Property, plant and equipment

Group	**2017**			**2016**		
	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	44,000,000	-	44,000,000
Buildings	62,594,151	(5,935,111)	56,659,040	62,367,949	(4,367,948)	58,000,001
Leasehold property	891,952	(380,470)	511,482	395,863	(27,114)	368,749
Furniture and fixtures	2,354,741	(1,305,436)	1,049,305	2,059,595	(1,152,182)	907,413
Motor vehicles	513,360	(241,495)	271,865	513,360	(139,152)	374,208
Office equipment	2,290,074	(1,749,061)	541,013	2,059,667	(1,462,767)	596,900
Computer equipment	3,546,422	(2,338,569)	1,207,853	2,906,743	(1,907,971)	998,772
Total	**116,190,700**	**(11,950,142)**	**104,240,558**	**114,303,177**	**(9,057,134)**	**105,246,043**

Board	**2017**			**2016**		
	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	44,000,000	-	44,000,000
Buildings	62,594,151	(5,935,111)	56,659,040	62,367,949	(4,367,948)	58,000,001
Leasehold property	891,952	(380,470)	511,482	395,863	(27,114)	368,749
Furniture and fixtures	2,354,741	(1,305,436)	1,049,305	2,059,595	(1,152,182)	907,413
Motor vehicles	513,360	(241,495)	271,865	513,360	(139,152)	374,208
Office equipment	2,290,074	(1,749,061)	541,013	2,059,667	(1,462,767)	596,900
Computer equipment	3,546,422	(2,338,569)	1,207,853	2,906,743	(1,907,971)	998,772
Total	**116,190,700**	**(11,950,142)**	**104,240,558**	**114,303,177**	**(9,057,134)**	**105,246,043**

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Disposals	Write offs	Revaluations	Depreciation	Impairment loss	Total
Land	44,000,000	-	-	-	-	-	-	44,000,000
Buildings	58,000,001	226,201	-	-	-	(1,567,162)	-	56,659,040
Leasehold property	368,749	496,089	-	-	-	(353,356)	-	511,482
Furniture and fixtures	907,413	304,551	-	(1,295)	286	(160,909)	(741)	1,049,305
Motor vehicles	374,208	-	-	-	-	(102,343)	-	271,865
Office equipment	596,900	421,237	13,562	-	(286)	(490,400)	-	541,013
Computer equipment	998,772	934,797	30,145	(5,825)	(5,795)	(722,732)	(21,509)	1,207,853
	105,246,043	**2,382,875**	**43,707**	**(7,120)**	**(5,795)**	**(3,396,902)**	**(22,250)**	**104,240,558**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Disposals	Write offs	Revaluations	Depreciation	Impairment loss	Total
Land	15,925,800	-	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	-	395,863	-	-	-	(27,114)	(3,110)	368,749
Motor vehicles	692,803	367,330	-	-	-	(149,610)	-	907,413
Office equipment	476,744	-	-	-	-	(102,536)	(2,593)	374,208
Computer equipment	930,361	127,588	-	-	-	(458,456)	(27,691)	596,900
	73,595,565	**4,072,800**	**(1,036)**	**(16,641)**	**30,306,600**	**(2,677,851)**	**(33,394)**	**105,246,043**

Figures in Rand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Board - 2017

	Opening balance	Additions	Disposals	Write offs	Revaluations	Depreciation	Impairment loss	Total
Land	44,000,000	-	-	-	-	-	-	44,000,000
Buildings	58,000,001	226,201	-	-	-	(1,567,162)	-	56,659,040
Leasehold property	368,749	496,089	-	-	-	(353,356)	-	511,482
Furniture and fixtures	907,413	304,551	-	(1,295)	286	(160,909)	(741)	1,049,305
Motor vehicles	374,208	-	-	-	-	(102,343)	-	271,865
Office equipment	596,900	421,237	13,562	-	-	(490,400)	-	541,013
Computer equipment	998,772	934,797	30,145	(5,825)	-	(722,732)	(21,509)	1,207,853
	105,246,043	**2,382,875**	**43,707**	**(7,120)**	**286**	**(3,396,902)**	**(22,250)**	**104,240,558**

Reconciliation of property, plant and equipment - Board - 2016

	Opening balance	Additions	Disposals	Write offs	Revaluations	Depreciation	Impairment loss	Total
Land	15,925,800	-	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**

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

2. Property, plant and equipment (continued)

Revaluations

The EAAB revalues its land and building every three years. The last revaluation was performed on 31 March 2016 and the next valuation will be performed on 31 March 2019.

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	53,405,636	55,767,000	53,405,636	55,767,600

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 R52 518 in the current year.

3. Intangible assets

Group	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property	781,837	(781,837)	-	781,837	(773,953)	7,884
Computer software	7,154,477	(5,595,827)	1,558,650	6,746,155	(4,911,192)	1,834,963
Total	**7,936,314**	**(6,377,664)**	**1,558,650**	**7,527,992**	**(5,685,145)**	**1,842,847**

Board	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intellectual property	781,837	(781,837)	-	781,837	(773,953)	7,884
Computer software	7,154,477	(5,595,827)	1,558,650	6,746,155	(4,911,192)	1,834,963
Total	**7,936,314**	**(6,377,664)**	**1,558,650**	**7,527,992**	**(5,685,145)**	**1,842,847**

Reconciliation of intangible assets - Group - 2017	Opening balance	Additions	Amortisation	Total
Intellectual property	7,884	-	(7,884)	-
Computer software	1,834,963	408,322	(684,635)	1,558,650
	1,842,847	**408,322**	**(692,519)**	**1,558,650**

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 - Board - 2017

	Opening balance	Additions	Amortisation	Total
Intellectual property	7,884	-	7,884	-
Computer software	1,834,963	408,322	(684,635)	1,558,650
	1,842,847	**408,322**	**(692,519)**	**1,558,650**

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**

	Group		Board	
	2017	**2016**	**2017**	**2016**
	R	**R**	**R**	**R**
4. Loan fund - Fidelity Fund				
Managed and controlled entities				
Estate Agents Fidelity Fund	-	-	9,011,655	14,328,538

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.

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R
5. Financial assets				
Designated at fair value				
Liberty Life	154,459,446	138,259,781	-	-
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 average return of 10.43% per annum.				
Designated at fair value				
First National Bank	124,500,000	-	-	-
This investment consist of FTSE/JSE Top 40 Africa Index Equity linked deposit and interest are payable at the an average interest rate of 5% per annum.				
Nedbank	51,875,000	-	-	-
This investment consist of FTSE/JSE Top 40 Africa Index Equity linked deposit and interest are payable at the an average interest rate of 5% per annum.				
Absa	51,875,000	-	-	-
This investment consist of FTSE/JSE Top 40 Africa Index Equity linked deposit and interest are payable at the an average interest rate of 5% per annum.				
Investec	103,750,000	-	-	-
This investment consist of FTSE/JSE Top 40 Africa Index Equity linked deposit and interest are payable at the an average interest rate of 5% per annum.				
Standard Bank	83,911,404	-	-	-
This investment consist of FTSE/JSE Top 40 Africa Index Equity linked deposit and interest are payable at the an average interest rate of 5% per annum.				
	570,370,851	**-**	**-**	**-**
Non-current assets				
Designated at fair value	332,000,000	-	-	-
Current assets				
At fair value	238,370,851	138,259,781	-	-

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

6. Employee benefit obligations

Defined benefit plan

The EAAB's pension fund trustees resolved to convert the employees pension fund scheme from defined benefit plan to defined contribution plan with effect from November 2016 excluding the current pensioners. Due to the conversion, curtailment cost of R38 865 000 were incurred. To settle the conversion credit, awarded to the converted members, EAAB made an additional contribution of R19 470 000 during the year. The conversion was done through rules amendments that was filed with Financial Services Board. The rules have not yet been approved by Financial Services Board.

Subsequently, the Board provides a defined benefit plan to only its current pensioners.The employer fund these plan, taking into account the recommendations of the independent actuaries where relevant. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on 26 May 2017 by Mr C Heymans, 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 discount used was derived from the Bond Exchange Zero Coupon Yield Curve.

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

	Group 2017 R	Group 2016 R	Board 2017 R	Board 2016 R
Carrying value				
Fair value of plan assets	16,952,000	104,957,000	16,952,000	104,957,000
Present value of the defined benefit obligation	(32,723,000)	(95,051,000)	(32,723,000)	(95,051,000)
	(15,771,000)	**9,906,000**	**(15,771,000)**	**9,906,000**
Non-current assets	-	9,906,000	-	9,906,000
Non-current liabilities	(15,771,000)	-	(15,771,000)	-
	(15,771,000)	**9,906,000**	**(15,771,000)**	**9,906,000**

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

	Group 2017 R	Group 2016 R	Board 2017 R	Board 2016 R
Opening balance	95,051,000	96,313,000	95,051,000	96,313,000
Service cost - Employee	1,082,000	8,559,000	1,082,000	8,559,000
Service cost - Employer	4,233,000	-	4,233,000	-
Interest costs	6,940,000	8,665,000	6,940,000	8,665,000
Settlements and curtailments	38,865,000	-	38,865,000	-
Benefits paid - exits	(2,904,000)	-	(2,904,000)	-
Benefits paid - pensions	(2,919,000)	(4,206,000)	(2,919,000)	(4,206,000)
Benefits paid - transfers	(110,240,000)	-	(110,240,000)	-
Actuarial (gain)/loss at the end of year	2,615,000	(14,280,000)	2,615,000	(14,280,000)
	32,723,000	**95,051,000**	**32,723,000**	**95,051,000**

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

6. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	4,233,000	6,741,000	4,233,000	6,741,000
Employer cost towards premiums and expenses	624,000	4,796,000	624,000	4,796,000
Curtailment costs	38,865,000	-	38,865,000	-
Net interest on net defined benefit liability/(asset)	579,000	8,665,000	579,000	8,665,000
Actuarial (gains) losses	-	(19,416,000)	-	(19,416,000)
Expected return on plan assets	-	(8,399,000)	-	(8,399,000)
	44,301,000	**(7,613,000)**	**44,301,000**	**(7,613,000)**

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

Opening balance	104,957,000	94,658,000	104,957,000	94,658,000
Employee contributions received	1,082,000	7,579,000	1,082,000	7,579,000
Employee contribution received toward funded benefits	3,069,000	-	3,069,000	-
Additional employer contribution received	19,470,000	(4,206,000)	19,470,000	(4,206,000)
Benefits paid - exits	(2,904,000)	-	(2,904,000)	-
Benefits paid - pension	(2,919,000)	(1,813,000)	(2,919,000)	(1,813,000)
Benefits paid - transfers	(110,240,000)	-	(110,240,000)	-
Interest income on plan assets	6,361,000	8,399,000	6,361,000	8,399,000
Actuarial gain/(loss) at end of year	(1,924,000)	340,000	(1,924,000)	340,000
	16,952,000	**104,957,000**	**16,952,000**	**104,957,000**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	11.39 %	10.45 %	11.39 %	8,80%
Expected rate of return on assets	11.39 %	10.45 %	11.39 %	8,80%
Expected increase in salaries	- %	9.33 %	- %	8,80%
Expected pension increases	- %	6.25 %	- %	8,80%
Expected inflation	8.86 %	8.33 %	8.86 %	8,80%
Marital status at retirement	- %	90.00 %	- %	90,00%

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

6. Employee benefit obligations (continued)

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 01 May 2017 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.

	2017 Group	2016 Group	2017 Board	2016 Board
Current portion of post-retirement medical aid liability	495,000	440,000	495,000	440,000
Non-current portion of post-retirement medical aid liability	8,863,000	8,556,000	8,863,000	8,556,000
	9,358,000	**8,996,000**	**9,358,000**	**8,996,000**

Post retirement medical aid benefit obligation

	2017 Group	2016 Group	2017 Board	2016 Board
Opening balance	8,996,000	7,980,000	8,996,000	7,980,000
Interest cost	875,000	698,000	875,000	698,000
Current service cost	145,000	138,000	145,000	138,000
Benefits paid	(440,000)	(401,000)	(440,000)	(401,000)
Actuarial (gains)/losses	(218,000)	581,000	(218,000)	581,000
	9,358,000	**8,996,000**	**9,358,000**	**8,996,000**

Net expense recognised in the statement of financial performance

	2017 Group	2016 Group	2017 Board	2016 Board
Current service cost	145,000	138,000	145,000	138,000
Interest cost	875,000	698,000	875,000	698,000
Actuarial (gains) losses	(218,000)	581,000	(218,000)	581,000
	802,000	**1,417,000**	**802,000**	**1,417,000**

Assumptions used at the reporting date:

	2017 Group	2016 Group	2017 Board	2016 Board
Discount rates used	9.86 %	9.96 %	9.86 %	9.96 %
Inflation rate	7.37 %	7.98 %	7.37 %	7.98 %
Medical inflation	8.87 %	8.98 %	8.87 %	8.98 %

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

6. Employee benefit obligations (continued)

Defined contribution plan

The EAAB's pension fund trustees resolved to convert the employees pension fund scheme from defined benefit plan to defined contribution plan with effect from 01 November 2016 excluding the current pensioners. Upon conversion, the actuarial valuation of the pension fund resulted in the shortfall of R19 470 000 which was settled. The effect of the remaining pensioners on the defined benefit plan is reported in note number 6 above. The total contributions made by the employer towards the defined contribution plan with effect from 01 November 2016 for the year is R3 383 473. The conversion was done through rules amendments that was filed with Financial Services Board. The rules have not yet been approved by Financial Services Board.

7. Inventories

Study material	219,231	306,620	219,231	306,620

8. Trade and other receivables from exchange transactions

Trade debtors	6,808,230	1,576,431	1,219,450	476,135
Prepayments	2,193,683	4,712,011	2,179,231	4,703,931
Deposits	150,000	150,000	150,000	150,000
Accrued interest	-	874,609	-	-
Amounts recoverable in respect of one learner project	1,080,955	9,858,975	-	-
Other receivables	58,875	203,010	58,875	203,010
Other receivables	2,316,000	-	2,316,000	-
	12,607,743	**17,375,036**	**5,923,556**	**5,533,076**

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 2017, R 924,109 (2016: R 220,731) were past due but not impaired.

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

1 month past due	1,193,919	765,846	546,169	109,000
2 months past due	733,425	1,363,999	198,737	93,086
3 months past due	390,213	71,748	179,203	18,645

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

8. Trade and other receivables from exchange transactions (continued)

Trade and other receivables impaired

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

Movements in Impairment of trade and other receivables	9,153,226	432,073	1,074,859	(704,936)

Trade and other receivables impaired

Opening balance	29,467,284	29,035,211	3,461,328	4,166,264
Provision for impairment	9,153,226	5,634,978	1,074,859	(133,853)
Amounts written off as uncollectible	-	(5,202,905)	-	(571,083)
	38,620,510	**29,467,284**	**4,536,187**	**3,461,328**

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,443	13,648	18,443	13,648
Bank balances	6,425,890	13,550,430	4,764,784	10,345,609
Short-term deposits	7,698,130	23,168,958	7,698,130	23,168,958
Other cash and cash equivalents	31,762,071	454,618,800	-	-
	45,904,534	**491,351,836**	**12,481,357**	**33,528,215**

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

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

10. Provisions

Reconciliation of provisions - Group - 2017

	Opening Balance	Utilised during the year	Total
Provision for claims	67,058	(67,058)	-
Leave pay provision	4,686,062	(107,953)	4,578,109
	4,753,120	**(175,011)**	**4,578,109**

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 - Board - 2017

	Opening Balance	Utilised during the year	Total
Leave pay provision	4,686,062	(107,953)	4,578,109

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

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R
11. Trade and other payables from exchange transactions				
Trade payables	1,873,824	3,447,437	1,873,824	3,447,437
Unallocated deposits	7,200,938	6,275,581	4,719,421	3,501,226
Estate agents funds received in advance	27,518,644	22,333,785	17,759,147	14,775,960
Accrued expense	8,806,989	6,562,834	2,475,585	2,202,978
Staff debtors	181,028	-	181,028	-
Deposits held on operating lease	248,625	248,625	248,625	248,625
	45,830,048	**38,868,262**	**27,257,630**	**24,176,226**
12. Trade and other payables from exchange transactions				
Contributions - Principal	8,866,679	6,513,908	8,866,679	6,513,908
Contributions - Full status estate agents	6,685,496	5,839,823	5,349,430	3,960,593
Contributions - Intern estate agents	6,778,269	7,592,288	6,778,269	7,592,288
Interest received on trust funds	41,192,969	31,015,362	-	-
Management fees	-	-	52,095,396	51,681,120
Interest received on investments	41,436,087	41,436,087-	-	-
Income from examinations	30,172,050	34,467,430	30,172,050	34,467,430
	135,131,550	**124,653,460**	**103,261,824**	**104,215,339**
13. Other income				
Claims recoverable	9,733,186	2,521,906	-	-
Penalties and fines	7,093,546	3,972,002	7,093,546	3,972,002
Interest other	24,259	171,035	-	-
Royalties and amendments	3,034,356	3,889,521	3,034,356	3,889,521
Other income	3,746,984	1,177,976	3,726,629	1,177,976
	23,632,331	**11,732,440**	**13,854,531**	**9,039,499**
14. Operating expenses				
Legal expenses	2,666,617	2,716,833	598,343	820,982
Claims expenses	12,381,416	6,250,141	-	-
Consulting and professional services	3,165,056	2,522,138	2,836,250	2,229,124
Training and development	1,639,304	1,511,822	1,639,304	1,511,822
CPD Expenses	8,024,660	9,598,951	8,024,660	9,598,951
Travelling expenses	4,626,596	4,691,279	4,626,596	4,691,279

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R

14. Operating expenses (continued}

Provision for doubtful debts	9,212,066	5,064,174	1,209,371	(133,855)
Repairs and maintenance	1,555,662	1,256,843	1,555,662	1,256,843
Rates and taxes	870,123	1,052,182	870,123	1,052,182
Telephone and telex	3,901,881	3,431,250	3,901,881	3,431,250
Call centre services	3,479,237	2,665,071	3,479,237	2,665,071
Venue hire	5,208,208	5,314,868	5,208,208	5,314,868
Publications and awareness campaigns	9,456,951	4,177,064	1,061,741	1,088,202
Transformation costs	6,987,630	1,302,032	-	-
Stationery and printing	2,281,620	2,218,627	2,281,620	2,218,627
Internal audit fees	432,638	886,238	432,638	886,238
Software license and maintenance	1,683,506	1,044,522	1,683,506	1,044,522
Insurance	577,227	555,938	570,119	555,938
Bank charges	564,418	907,003	562,840	876,582
Water and electricity	1,202,769	551,890	1,201,191	551,890
Security services	741,862	800,270	741,862	800,270
Office cleaning	356,482	322,899	356,482	322,899
Other expenses	2,182,520	2,014,552	2,855,498	2,014,552
	83,198,449	**60,856,587**	**45,697,132**	**42,798,237**

15. Employee related costs

Basic	62,675,209	54,205,039	62,675,209	54,205,039
Bonus	3,928,157	1,640,709	3,928,157	1,640,709
Medical aid - company contributions	4,735,582	4,824,364	4,735,582	4,824,364
UIF	197,465	210,807	197,465	210,807
SDL	635,441	580,964	635,441	580,964
Other valuation adjustments	-	8,916,244	-	8,916,244
Leave pay provision charge	354,118	1,174,635	354,118	1,174,635
Current service cost	4,233,000	6,741,000	4,233,000	(6,196,000)
Shortfall on valuation	-	4,796,000	-	-
Actuarial loss	4,539,000	-	4,539,000	-
Curtailment costs	38,865,000	8,665,000	38,865,000	-
Actuarial (gains) losses	-	(17,999,000)	-	-
Net interest costs on the defined benefit obligation	579,000	-	579,000	-
Expected return on plan assets	-	(8,399,000)	-	-
Overtime and temporary staff	862,284	233,745	862,284	233,745
Post-medical aid benefits net expenses	1,020,000	836,000	1,020,000	836,000
Long-service awards	170,000	95,000	170,00	95,000
	122,794,256	**66,521,507**	**122,794,256**	**66,521,507**

	Group		Board	
	2017	2016	2017	2016
	R	R	R	R
16. Impairment loss				
Impairments				
Property, plant and equipment	22,250	50,035	22,250	50,035
Impairment of property, plant and equipment relates to assets that have become obsolete and could no longer be used.				
Inventory	7,154	-	7,154	-
Impairment of inventory to write down to lower of cost or net realisable value.				
	29,404	**50,035**	**29,404**	**50,035**
17. Operating lease				
Minimum lease payments due				
- within one year	7,098,633	887,679	7,098,633	887,679
- in second to fifth year inclusive	5,403,059	811,735	5,403,059	811,735
	12,501,692	**1,699,414**	**12,501,692**	**1,699,414**

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 R65 062 per month with an annual escalation of 15%. No contingent rent is payable and the lease is not renewable at the end of the lease term.

Office Printer and Server Machine
The Board leased a server and office printer machines for its Cape Town offices for a period of three years effective from 01 January 2016. The lease payment is R12 492 per month with no annual escalation. No contingent rent is payable and the lease is not renewable at the end of the lease term.

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 R17 718 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 01 December 2015. The lease payment is R361 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 01 April 2015. The lease payment is R13 321 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	
	2017	2016	2017	2016
	R	R	R	R

18. Cash used in operations

(Deficit) surplus	(52,268,269)	4,741,587	(56,362,783)	138,484
Adjustments for:				
Depreciation and amortisation	4,089,420	3,531,987	4,089,420	3,531,987
Gain on sale of non-current assets	7,451	(1,024)	7,451	(1,024)
Impairment deficit	29,405	50,035	29,405	50,035
Movements in retirement benefit assets and liabilities	25,677,000	(11,561,000)	25,677,000	(11,561,000)
Movements in provisions	(175,011)	(534,011)	(107,953)	735,405
Movements in post-retirement medical aid liabilities	362,000	1,016,000	362,000	1,016,000
Other non-cash items	(245,902)	(460)	(4,211)	(460)
Changes in working capital:				
Inventories	87,389	(177,569)	87,389	(177,569)
Trade and other receivables from exchange transactions	4,729,192	(11,984,053)	(390,480)	(3,260,614)
Trade and other payables from exchange transactions	7,203,475	6,891,872	3,081,404	1,308,272
	(10,503,850)	**(8,026,636)**	**(23,531,358)**	**(8,220,484)**

19. Commitments

Authorised operating expenditure

Minimum lease payments due				
- within one year	6,888,503	1,884,020	6,888,503	1,884,020
- in second to fifth year inclusive	5,367,163	1,579,961	5,367,163	1,579,961
	12,255,666	**3,463,981**	**12,255,666**	**3,463,981**

20. 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 R4 699 822. 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 R490 109 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 R45 336 537 likely outcome of these cases is unknown.

Pension fund conversion

The defined benefit plan of EAAB pension and life assurance scheme was converted as at 31 October 2016 to defined contribution plan. Financial Services Board was duly notified of the conversion however they have not yet approved the submission.

If the Financial Services Board is to reject the application, the transaction will be null and void and will result in the following financial exposure to the entity:
1.Liability on the overpayment that might have been paid to the exited members pension if there is a mismatch.
2. Liability that the entity was supposed to fund / cover had the conversion not taken place. This amount is to be determined by the actuary.

Further additional cost the entity is likely to fund is shortfall on the contributed amounts dependent on the next actuarial valuation outcome

21. Related parties

Relationships

Board members and key management personnel	Refer to members' emoluments, note 22
Controlled entities	Estate Agents Fidelity Fund controlled in terms of the Estate Agency Affairs Act. Refer to note 4
Public entities and departments	South African Revenue Services

Related party balances

Loan accounts - Owing by related parties		
The Estate Agents Fidelity Fund	9,011,655	14,328,538

Related party transactions

Administration fees received from related parties		
The Estate Agents Fidelity Fund	(52,095,396)	(51,681,120)
Employee taxes paid to related parties		
South African Revenue Services	19,226,358	15,538,796
Interest received from related parties		
The Estate Agents Fidelity Fund	(51,696)	(455,398)

22. Members' emoluments

Executive

2017

	Basic Salary	Performance Bonus	Acting Allowance	Contribution to Pension Scheme	Contribution to Medical Scheme	Leave Termination Costs	Other Costs	13 Cheques	Total
Mr. Bryan Chaplog (Chief Executive Officer: - Appointed 01 October 2013)	2,188,697	226,600	-	317,953	69,989	-	36,140	187,729	3,027,108
Mr. C. Ashpol (Executive Manager: Education and Training - Appointed 01 May 1983)	801,288	-	-	-	31,275	-	8,301	-	840,864
Ms D Mphahlele (Executive Manager: Inspections - Appointed 01 February 2013)	1,391,847	89,921	-	312,238	69,576	-	23,766	115,987	2,003,335
Mr. J. Baloyi (Executive Manager - Compliance - Appointed 01 February 2013)	1,391,847	176,484	-	266,179	106,737	-	73,518	115,987	2,130,752
Mr. S. Mmotong (Chief Financial Officer - Appointed 01 February 2012)	1,665,122	198,164	338,766	282,912	116,649	-	24,852	-	2,626,465
Mr. N. Ndebele (Company Secretary - Appointed 10 January 2011)	1,497,694	143,500	-	281,802	-	89,529	14,759	-	2,027,284
Mr. N. Sigaba (Chief Risk Officer - Appointed 01 June 2010)	1,520,587	163,670	16,206	294,626	44,759	-	20,215	135,594	2,195,657
Mr. J. Tladi (Legal Technical Analyst - Appointed 01 August 2013)	1,316,341	151,546	-	174,871	51,286	-	32,234	125,550	1,851,828
Mr. A. Arendse (Executive Manager: Operations - Appointed 01 October 2014)	1,348,208	75,773	-	-	195,518	-	36,937	125,550	1,781,986
Mr. K. Ngwenya (Executive Manager: Project & Implementation Specialist - Appointed 01 March 2015)	1,275,360	65,006	-	11,150	7,279	-	16,092	90,116	1,465,003
	14,396,991	**1,290,664**	**354,972**	**1,941,731**	**693,068**	**89,529**	**286,814**	**896,513**	**19,950,282**

Figures in Rand

22. Members' emoluments (continued)

2016

	Basic Salary	13 Cheques	Acting Allowance	Contribution to Pension Scheme	Contribution to Medical Scheme	Other Costs	Total
Mr. Bryan Chaplog (Acting Chief Executive Officer - Appointed 04 October 2010)	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)	1,400,032	85,560	-	330,838	87,892	36,089	1,940,411
Mr. J. Baloyi (Executive Manager - Compliance - Appointed 01 October 2011)	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 (Appointed October 2014)	1,365,153	-	-	150,309	-	25,451	1,540,913
Mr. K. Ngwenya (Executive Manager: Project and Implementation Specialist - Appointed 01 March 2015)	1,291,781	-	-	-	-	-	1,291,781
	13,987,256	**657,457**	**478,858**	**1,937,908**	**496,795**	**128,998**	**17,687,272**

Board Members Remuneration

2017

	Board Meetings	Committees fees	Travelling	Other fees	Total
Mr. N. Biko (Chairman - Appointed 06 July 2016)	69,216	5,658	-	42,848	117,722
Mr. Y. Patel (Deputy Chairman - Appointed 06 July 2016)	51,754	12,210	-	5,520	69,484
Dr. R. Naidoo (Appointed 20 September 2016)	7,544	-	-	1,886	9,430
Ms. M.H. Phaleng-Podile (Appointed 06 July 2016)	40,802	30,054	-	5,520	76,376
Mr. C.W. Weilbach (Appointed 06 July 2016)	29,762	12,048	-	5,520	47,330
Rev. D.G. Mogomane (Appointed 06 July 2016)	44,436	5,520	-	5,520	55,476
Mr. J.F. Davel (Appointed 06 July 2016)	41,492	5,658	-	-	47,150
Mr. M. Legodi (Appointed 06 July 2016)	29,762	36,768	-	22,080	88,610
Ms. T. Profit-McLean (Appointed 06 July 2016)	44,436	45,326	-	-	89,762
Mr. P.P. Makhosana (Appointed 06 July 2016)	50,094	29,022	2,015	5,520	86,651
Adv. F.J. van der Westhuizen (Appointed 06 July 2016)	11,316	5,658	-	1,710	18,684
Ms. A.Z. Cuba (Appointed 06 July 2016)	16,560	46,362	-	5,520	68,442
Ms. J. Corfield (Appointed 06 July 2016)	46,322	47,550	1,614	5,520	101,006
Ms. X.F.E. Kula - Ameyaw (nee Gyarko) (Appointed: 06 July 2016)	46,460	37,895	160	5,520	90,035
Ms. T. Semane (Appointed 06 July 2016)	40,802	34,653	210	5,520	81,185
	570,758	**354,382**	**3,999**	**118,204**	**1,047,343**

22. Members' emoluments (continued)

2016

	Board Meetings	Committees fees	Travelling	Other fees	Total
Prof. K.M. Kondlo (Chairman - Term ended 31 December 2015)	18,792	-	3,656	535,908	558,356
Mar. 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**

Independent non-executive Audit & Risk Committee members remuneration

2017

	Emoluments	Travelling	Other Costs	Total
Ms. K. Vundla (Chairperson)	58,524	-	10,752	69,276
Mr. M.M. Mphahlele	43,923	-	-	43,923
Mr. R.P. Tsotetsi	13,656	1,696	6,401	21,753
Mr. T. Mapenda	26,643	-	6,528	33,171
	142,746	**1,696**	**23,681**	**168,123**

2016

	Emoluments	Total
Ms. K. Vundla (Chairperson	66,768	66,768
Mr. M.M. Mphahlele	20,500	20,500
Mr. P. Madisha	32,960	32,960
Mr. D.K. Bosa	6,528	6,528
	40,802	5,520
	126,756	**126,756**

Figures in Rand

23. Risk management

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.

EAAB is exposed to financial risks due to the defined benefit plan and the post retirement medical aid plan offered to its pensioners and employees. Currently the defined benefit plan and the post retirement medical plan are not fully funded further increasing the risk exposure of EAAB.

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.

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

The cost of future benefits payable from the Fund will depend on assumptions regarding future changes in membership and the net investment return on the assets set aside to provide the benefits.

Overall the valuation assumptions have been chosen to be as realistic as possible. However in practice this does mean that there is as much chance that experience will be less or more favourable than expected. Included below is a sensitivity analysis in respect of accrued liabilities showing the effects of experience being different to that assumed for the most significant assumptions.

1. Discount Rate

The valuation basis assumes a discount rate of 11.39% per annum. The following able shows the effect on the accrued liability with the discount rate being 1% lower and 1% greater than the valuation rate

Discount Rate	-1%	Valuation assumption	1%
Liability	R 35 496 000	R 32 723 000	R 30 303 000
Percentages	8.47%	n/a	-7.40%

23. Risk management (continued)

2. Rate of Salary Increase

The assumed rate of salary increases has no effect on the Fund's accrued liability as the Fund no longer has any active Defined Benefit membersAt 31 March 2017, 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 .

3. Rates of Mortality

The longer a retiree or the spouse of a retiree lives the greater the liability. The following table shows the effect of retirees and spouses experiencing mortality rates equivalent to those 3 years younger or older than assumed on the accrued liability

Rates of Mortality	+3 years	Valuation assumption	-3 years
Liability	R 29 229 000	R 32 723 000	R 36 334 000
Percentages	-10.68%	n/a	11.04%

24. 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.

25. Events after the reporting date

Appointment of the Chief Executive Officer

Mr Nikita Sigaba was appointed as the acting Chief Executive Officer on 24 July 2017 to replace an Executive Committee established in terms of Section 8A of the Estate Agency Affairs Act which operated between 13 February 2017 to 24 July 2017.

Resignation of the Audit Committee Members

Three independent Audit and Risk Committee Members submitted their resignation letters and their resignations are currently being considered for submission to the executive authority in terms if Treasury Regulation 27.1.5. The executive authority has not yet concurred with the premature termination in terms of Treasury Regulation 27.1.5.

Resignation of the Chief Financial Officer

The Chief Financial Officer, Mr Silence Mmotong resigned and his last day was on 18 July 2017. Mr Thomas Makupo was appointed as the acting Chief Financial Officer on 27 July 2017

Annual financial statements were authorised on the 30 August 2017

Figures in Rand

26. Irregular expenditure

Add: Irregular Expenditure - current year	1,169,238	-	1,169,238	-

Analysis of expenditure awaiting condonation per age classification

Current year	1,169,238	-	1,169,238	-

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Appointment of a legal service provider not done in accordance with Supply Chain Management Policy	Investigation underway	(90,762)
Appointment of a legal service provider not done in accordance with Supply Chain Management Policy	Investigation underway	(92,340)
Appointment of an induction service provider not done in accordance with Supply Chain Management Policy	Investigation underway	(90,000)
Appointment of a facilitator service provider not done in accordance with Supply Chain Management Policy	Investigation underway	(184,349)
Appointment of a IT consultancy firm not done in accordance with Supply Chain Management Policy	Investigation underway	(639,200)
Appointment of a CPD facilitator not done in accordance with Supply Chain Management Policy	Investigation underway	(72,587)
		(1,169,238)

Annual Financial Statements

for the year ended 31 March 2017

ESTATE AGENTS FIDELITY FUND

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 2018 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 142-145.

The financial statements set out on pages 147 to 167, which have been prepared on the going concern basis, were approved by the Board on 30 August 2017 and were signed on its behalf by:

Nkosinathi Biko
Chairman of the Board

Bryan Chaplog (CA)SA
Chief Executive Officer and Accounting Authority

INDEPENDENT AUDITOR'S REPORT

NGUBANE & CO.
CHARTERED ACCOUNTANTS | AUDITORS

Opinion

We have audited the financial statements of the Estate Agents Fidelity Fund of South Africa set out on pages 147 to 167, which comprise the statement of financial position as at 31 March 2017, statement of financial performance, statement of changes in net assets and statement of cash flows and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies and other explanatory information

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the financial statements present fairly, in all material respects, the financial position of the Estate Agents Fidelity Fund of South Africa as at 31 March 2017, and the financial performance and cash flows for the year then ended in accordance with Generally Recognized Accounting Practices and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for Qualified Opinion

Classification of unallocated receipts

We were unable to obtain sufficient appropriate audit evidence over classification of the unallocated receipts as disclosed in the financial statements. We have identified amounts that were included in the unallocated account which should have been cleared by or correctly classified as either revenue or receipts from debtors. Due to this fact, unallocated receipts that are classified as liabilities were supposed to have been classified as either revenue or receivables. The full extent of the misstatements thereof could not be determined. The balance of unallocated receipts as at year end is R 2 481 518.

Minutes of the Board and its sub-committees

The Estate Agency Affairs Board of South Africa and its controlled entity did not maintain or submit all the approved minutes of its board and board sub-committees for audit purposes as required by the Public Finance Management Act No. 29 of 1999, Section 54. In the absence of some minutes of the Board, Section 8A Committee and Audit and Risk committees, we are not certain as to how the contents thereof affect the appropriateness of the going concern assumption, completeness of Board remuneration, commitments and contingencies and existence of material subsequent events. Our alternative procedures of circularisation of Board remuneration certificates and lawyers confirmation could not provide the needed assurance as we did not receive the required responses. Considering the fact that the aforementioned affects the completeness assertion, we could not ascertain the required adjustments to the balances, classes of transactions and relevant disclosures requirements by any alternative procedure.

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We are independent of the public entity and its controlled entity in accordance with the Independent Regulatory Board for Auditors' Code of professional conduct for registered auditors (IRBA code) and other independence requirements applicable to performing audits of the financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA code is consistent with the International Ethics Standards Board for Accountants' Code of ethics for professional accountants (parts A and B).

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

Other matters

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

Secondment of the Chief Executive Officer

The Chief Executive Officer was seconded to Housing Development Agency from the 10th of February 2017 and effectively left in May 2017. The Board elected a Section 8A Executive Committee made up of 4 Board members being the Board Chairperson, Vice Board Chairperson and two members of the Board who are also Audit and Risk Committee members. The Executive Committee took up the responsibilities of the Chief Executive Officer. The Acting Chief Executive Officer was appointed on the 24th of July 2017.

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

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 and become effective on 13 October 2016.

Resignation of Audit and Risk Committee members after the reporting date

Three independent Audit and Risk Committee members resigned after the year end as disclosed on note 25 in the financial statements. The resignations were not yet accepted by the Executive Authority as at the date of this report.

Responsibilities of the Accounting authority for the financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Generally Recognized 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.

In preparing the financial statements, the accounting authority is responsible for assessing the Estate Agents Fidelity Fund of South Africa's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the Estate Agents Fidelity Fund of South Africa or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is included in the annexure to the auditor's report.

Report on the audit of compliance with legislation

Introduction and scope

In accordance with the PAA and the general notice issued in terms thereof we have a responsibility to report material findings on the compliance of the Schedule 3A entity with specific matters in key legislation. We performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Revenue Management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1) (b) (i) of the PFMA and/or Treasury Regulation 31.1.2(a) and (e).

Annual financial statements, performance report and annual report

The financial statements submitted for auditing were not supported by full and proper records as required by section 55(1) (a) and (b)] section 54 (1) of the PFMA and section 10 of the Estate Agents Affairs Act, 1976.

Public Finance Management Act

The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 55(1) (b) of the Public Finance Management Act, as the financial statements needed material reclassification adjustments on unallocated receipts and correction and disclosures of contingent liabilities.

Internal audit function

The entity operated without an internal audit function for the last quarter of the financial year, in contravention of Treasury Regulations 27.2.2 and section 51(1) (a) (ii) of the Public Finance Management Act.

Audit Committee Composition

The Audit and Risk Committee did not adhere to the Treasury Regulations 27.1.6 which require the committee to comply with their terms of reference. Non-independent members of the Audit & Risk Committee performed management responsibilities as part of their section 8A Committee duties, from February 2017 and thus not in line with the above mentioned requirements.

INDEPENDENT AUDITOR'S REPORT*...continued*

Financial Statements for the year ended 31 March 2017

Other information

The Estate Agents Fidelity Fund of South Africa's accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate. The other information does not include the financial statements, the auditor's report thereon and those selected objectives presented in the annual performance report that have been specifically reported on in the auditor's report.

Our opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on reading these reports we have not identified material inconsistencies between the reports and the audited financial statements.

Internal control deficiencies

We considered internal control relevant to our audit of the consolidated and separate financial statements, performance report and compliance with legislation; however the objective is not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for qualified opinion, the findings on the performance report and the findings on compliance with legislation included in this report.

The following deficiencies were noted that led to the basis for qualifications;

Leadership

The entity experienced significant period without a Board. The current Board was only appointed midway during the financial period. These vacancies in top leadership have contributed to the overall decline in the internal control environment.

The accounting authority did not exercise adequate oversight responsibility regarding compliance with applicable legislation and related controls.

Financial and performance management

The accounting authority did not implement adequate record keeping in a timely manner to ensure that complete, relevant and accurate information is accessible and available to support financial reporting.

Management did not ensure the controls over daily and monthly processing and reconciling of transactions are working effectively.

Governance

Management did not ensure that the entity has an adequately resourced and functioning internal audit unit throughout the year that identifies internal control deficiencies and recommends corrective action effectively.

Other reports

We draw attention to the following engagement currently being conducted that could potentially have an impact on the matters reported on the public entity's financial performance and compliance related matters. The report noted does not form part of neither our opinion on the financial statements, our findings on the reported performance information nor compliance with legislation.

Investigations

A consultant was appointed to audit and investigate the suspense accounts and to perform a controls review as a follow up to the Forensic investigation that was done previously. The investigation is still in progress and the conclusion is expected in the last week of August 2017.

Auditor tenure

In terms of the IRBA rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ngubane & Co. (JHB) Inc. has been the auditor of Estate Agents Affairs Board of South Africa and its controlled entity for four years.

Ngubane & Co

Edwin T Chapanduka
Ngubane & Co (JHB) Inc.
Director
Registered Auditor

30 August 2017
Midrand

Annexure – Auditor's responsibility for the audit

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional skepticism throughout our audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the public entity's compliance with respect to the selected subject matters.

Financial statements

In addition to our responsibility for the audit of the financial statements as described in the auditor's report, we also:

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

Communication with those charged with governance

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

We also confirm to the accounting authority that we have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on our independence, and where applicable, related safeguards.

STATEMENT OF FINANCIAL POSITION

Financial Statements for the year ended 31 March 2017

	Notes	2017 R	2016 R
Assets			
Current Assets			
Investments	3	238,370,851	138,259,781
Trade and other receivables from exchange transactions	4	6,722,288	11,841,960
Cash and cash equivalents	5	33,423,177	457,823,621
		278,516,316	**607,925,362**
Non-Current Assets			
Investments		332,000,000	-
Total Assets		**610,516,316**	**607,925,362**
Liabilities			
Current Liabilities			
Loan Fund - Estate Agency Affairs Board	9	9,011,655	14,328,538
Provisions	7	-	67,058
Other liabilities	8	18,572,419	14,692,036
		27,584,074	**29,087,632**
Total Liabilities		**27,584,074**	**29,087,632**
Net Assets		**582,932,242**	**578,837,730**
Accumulated surplus		582,932,242	578,837,730

STATEMENT OF FINANCIAL PERFORMANCE

Financial Statements for the year ended 31 March 2017

	Notes	2017 R	2016 R
Revenue from exchange transactions	10	83,965,122	72,119,241
Other income	11	9,777,799	2,692,941
Operating expenses		(89,596,713)	(69,753,680)
Operating surplus (deficit)		**4,146,208**	**5,058,502**
Finance costs		(51,696)	(455,398)
Surplus for the year		**4,094,512**	**4,603,104**

STATEMENT OF CHANGES IN NET ASSETS

Financial Statements for the year ended 31 March 2017

	Accumulated surplus	Total net assets
	R	R
Balance at 01 April 2015	**574,234,626**	**574,234,626**
Surplus for the year	4,603,104	4,603,104
Balance at 01 April 2016	**578,837,730**	**578,837,730**
Deficit for the year	4,094,512	4,094,512
Balance at 31 March 2017	**582,932,242**	**582,932,242**

CASH FLOW STATEMENT

Financial Statements for the year ended 31 March 2017

	Notes	2017 R	2016 R
Cash flows from operating activities			
Receipts			
Cash receipts from estate agents		96,509,298	52,770,486
Payments			
Cash payments to suppliers and EAAB		(104,946,641)	(60,915,315)
Finance costs		(51,696)	(455,398)
		(104,998,337)	(61,370,713)
Net cash flows from operating activities	13	**(8,489,039)**	**(8,600,227)**
Cash flows from investing activities			
Movements in financial assets		(415,911,405)	381,016,500
Net cash flows from investing activities		**(415,911,405)**	**381,016,500**
Net increase/(decrease) in cash and cash equivalents		**(424,400,444)**	**372,416,273**
Cash and cash equivalents at the beginning of the year		457,823,621	85,407,348
Cash and cash equivalents at the end of the year	5	**33,423,177**	**457,823,621**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Financial Statements for the year ended 31 March 2017

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	27,494,681	-	**27,494,681**	41,192,969	**13,698,288**	Note 1
Contributions	1,475,949	-	**1,475,949**	1,336,066	**(139,883)**	Note 2
Fair value adjustments	11,886,725	-	**11,886,725**	28,199,666	**16,312,941**	Note 3
Interest on investments	30,687,322	-	**30,687,322**	13,236,421	**(17,450,901)**	Note 3
Claims recoveries	5,000,000	-	**5,000,000**	9,733,186	**4,733,186**	Note 4
Interest other	508,113	-	**508,113**	24,259	**(483,854)**	Note 5
Investigation of cost recovery	-	-	**-**	20,354	**20,354**	
Total revenue from exchange transactions	**77,052,790**	**-**	**77,052,790**	**93,742,921**	**16,690,131**	
Expenditure						
Legal costs	(2,000,000)	-	**(2,000,000)**	(2,061,755)	**(61,755)**	
Transformation initiatives	(6,700,000)	-	**(6,700,000)**	(6,987,630)	**(287,630)**	Note 6
Bank charges	(64,200)	-	**(64,200)**	(1,578)	**62,622**	
Claims expenses	(4,500,000)	-	**(4,500,000)**	(12,381,416)	**(7,881,416)**	Note 4
Provision for bad debts	-	-	**-**	(8,002,695)	**(8,002,695)**	Note 7
Interest expense	(172,141)	-	**(172,141)**	(51,696)	**120,445**	
Insurance	(107,000)	-	**(107,000)**	(7,108)	**99,892**	
Administration fees	(52,272,013)	-	**(52,272,013)**	(52,095,396)	**176,617**	
Consumer Education and Awareness	(7,255,000)	-	**(7,255,000)**	(6,068,185)	**1,186,815**	Note 8
Stakeholder Relations	(498,000)	-	**(498,000)**	(441,951)	**56,049**	Note 9
Publication - Agent Magazine	(1,727,000)	-	**(1,727,000)**	(1,885,074)	**(158,074)**	Note 10
Consulting, professional fees and investigation expenses	(550,000)	-	**(550,000)**	(35,323)	**514,677**	
General Expenses	-			371,398	**371,398**	
Total expenditure	**(75,845,354)**	**-**	**(75,845,354)**	**(89,648,409)**	**(13,803,055)**	
Surplus (Deficit)	**1,207,436**	**-**	**1,207,436**	**4,094,512**	**2,887,076**	

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

FFC Contributions was less than budget. The new levies were published and effective during the financial year. However, firms with a turnover of R2.5 million or less were subsequently exempted from paying levies. This was done to bolster transformation by making cost of compliance less for small firms.

Note 3: Interest on Investment and fair value adjustment

Interest on investment is lower than envisaged. This was mainly due to caution exercised on the investments while the new investment strategy was being developed and due intelligence on the new investments products were being performed. The funds have since been invested in new investment products during the financial year. The fair value adjustment is a results of return on the Liberty investment. The returns are more than expected.

Note 4 Claims paid and recoverable

Claims recoverable were more than budgeted due to most claims considered by the Board during the financial year. These claims are paid and recoverable during the year under review.

Note 5: Interest other

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

Note 6: Transformation initiatives

Costs were more than budgeted due to increased transformation initiative.

Note 7: Provision for doubtful debts

More provision was provided during the year as a result of long outstanding claims.

Note 8: Consumer Education

More consumer road shows were conducted due to CPD workshops

Note 9: Stakeholder Awareness

More consumer road shows were conducted due to CPD workshops.

Note 10: Agent Magazine

All quarterly Agents Magazines were issued during the year.

ACCOUNTING POLICIES

Financial Statements for the year ended 31 March 2017

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.

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 entity will continue to operate as a going concern for at least the next 12 months.

1.2 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

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.

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.

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

1.2 Significant judgements and estimates (continued)

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 considers the weighted average probability of the potential outcomes of the provision raised.

Provisions were raised and management determined an estimate based on the information available. Additional disclosures 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 interest is not accrued, estimates and judgments are required for interest rate to be used.

1.3 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.

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

1.3 Financial instruments (continued)

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

These are on-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.

1.3 Financial instruments (continued)

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.

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.

1.3 Financial instruments (continued)

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.

1.4 Tax

Tax expenses

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

1.5 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.

1.5 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.

1.6 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.

1.6 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 and royalties

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.

1.7 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.

1.8 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.

1.8 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.

1.9 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.

1.10 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 an accrual basis and presented by programmes linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/04/01 to 2017/03/31.

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.

1.11 Related parties

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.

1.12 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.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 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 2017 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.

	2017 R	2016 R
3. Investments		
Designated at fair value		
Nedbank This investments consist of FTSE/JSE Top 40 Africa Index Equity linked deposit. Interest payable at the maturity date an average interest rate of 5% per annum.	51,875,001	-
Liberty Life 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 average return of 10.48% per annum.	154,459,446	138,259,781
RMB This investments consist of FTSE/JSE Top 40 Africa Index Equity linked contract. Interest payable at the maturity date an average interest rate of 5% per annum.	124,500,000	-
INVESTEC This investments consist of FTSE/JSETop 40 Africa Index. Interest payable at the maturity dates an average interest rate of 5% per annum.	103,750,000	-
Standard Bank This investments consist of FTSE/JSE Top 40 Africa Index Equity linked deposit. Interest payable at the maturity date an average interest rate of 5% per annum.	83,911,404	-
ABSA This investments consist of FTSE/JSETop 40 Africa Index. Interest payable at the maturity date an average interest rate of 5% per annum	51,875,000	-
Total other financial assets	**570,370,851**	**138,259,781**
Non- current assets		
Designated at fair value	332,000,000	-
Current assets		
At fair value	238,370,851	138,259,781

	2017 R	2016 R
4. Trade and other receivables from exchange transactions		
Trade debtors from exchange transactions	5,626,881	1,100,296
Accrued interest on the investments	-	874,609
Prepaid expenses	14,452	8,080
Other receivables in respect of one learner project	1,080,955	9,858,975
	6,722,288	**11,841,960**

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	2,627,195	656,846
2 months past due	21,128,337	1,270,914
3 months past due	211,010	53,103

Trade and other receivables impaired

3 to 6 months	8,078,367	1,137,008

Reconciliation of provision for impairment of trade and other receivables

Opening balance	26,005,954	24,868,946
Provision for impairment	8,078,367	5,768,831
Amounts written off as uncollectible	-	(4,631,823)
	34,084,321	**26,005,954**

5. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1,661,106	3,204,821
Other cash and cash equivalents	31,762,071	454,618,800
	33,423,177	**457,823,621**

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

6. Other financial liabilities

7. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Utilised during the year	Total
Provision for claims	67,058	(67,058)	-

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

	2017 R	2016 R
8. Other liabilities		
Agent interest received in advance	9,759,497	7,557,825
Unallocated agent interest	2,481,518	2,774,355
Accruals	6,331,404	4,359,856
	18,572,419	**14,692,036**
9. Loan Fund - Estate Agency Affairs Board		
Estate Agency Affairs Board	9,011,655	14,328,538

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.

10. Revenue from exchange transactions

	2017 R	2016 R
Interest on trust funds	41,192,969	31,015,362
Contributions from estate agents	1,336,066	1,879,230
Fair value adjustment	28,199,666	10,625,316
Interest on investments	13,236,421	28,599,333
	83,965,122	**72,119,241**

11. Other income

	2017 R	2016 R
Claims recoveries	9,733,186	2,521,906
Interest receivable	24,259	171,035
Investigation cost recovery	20,354	-
	9,777,799	**2,692,941**

	2017 R	2016 R
12. Operating expenses		
Legal expenses	2,061,755	1,891,033
Claims expenses	11,634,342	6,250,141
Consulting and professional fees	328,806	293,014
Awareness Campaigns	6,510,136	2,744,965
Publications	1,885,074	343,897
Insurance and bank charges	8,687	30,421
Provision for doubtful debts	8,078,367	5,198,029
Administration Fees	52,095,396	51,681,120
Investigation expenses	6,520	19,028
Transformation costs	6,987,630	1,302,032
	89,596,713	**69,753,680**

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

13. Cash flows from operating activities

Surplus	4,094,512	4,603,104
Adjustments for:		
Fair value adjustments	(16,199,665)	(10,625,316)
Movements in provisions	(67,058)	(1,269,417)
Changes in working capital:		
Trade and other receivables from exchange transactions	5,119,672	(8,723,439)
Loan Fund - Estate Agency Affairs Board	(5,316,883)	1,831,241
Other liabilities	3,880,383	5,583,600
	(8,489,039)	**(8,600,227)**

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 R4 699 822. 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 R490 109 which the likely outcome of these cases is unknown.

	2017	2016
	R	R
15. Related parties		
Relationships		
Controlling entity	Estate Agency Affairs Board	
Related party balances		
Loan accounts - Owing to related parties		
Estate Agency Affairs Board	(9,011,655)	(14,328,538)
Related party transactions		
Interest paid to related parties		
Estate Agency Affairs Board	51,696	455,398
Administration fees payable to related parties		
Estate Agency Affairs Board	52,095,396	51,681,120

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.

16. Risk management (continued)

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 2017, 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

Appointment of the Chief Executive Officer

Mr Nikita Sigaba was appointed as the acting Chief Executive Officer on 24 July 2017 to replace an Executive Committee established in terms of Section 8A of the Estate Agency Affairs Act which operated between 13 February 2017 to 24 July 2017.

Resignation of the Audit Committee Members

Three independent Audit and Risk Committee Members submitted their resignation letters and their resignations are currently being considered for submission to the executive authority in terms if Treasury Regulation 27.1.5. The executive authority has not yet concurred with the premature termination in terms of Treasury Regulation 27.1.5.

Resignation of the Chief Financial Officer

The Chief Financial Officer, Mr Silence Mmotong resigned and his last day was on 18 July 2017. Mr Thomas Makupo was appointed as the acting Chief Financial Officer on 27 July 2017.

Annual financial statements were authorised on the 30 August 2017.