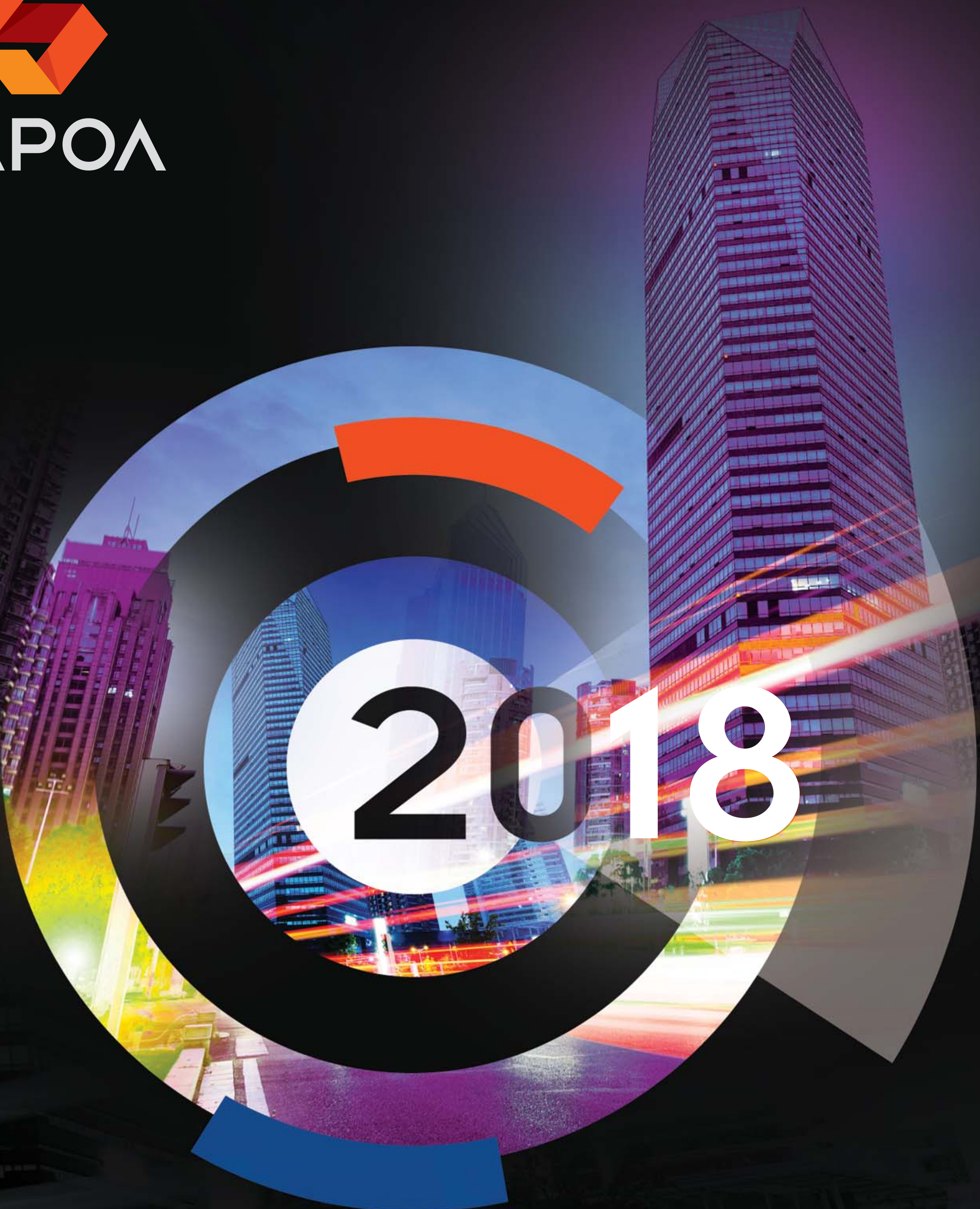
SAPOA



Annual report

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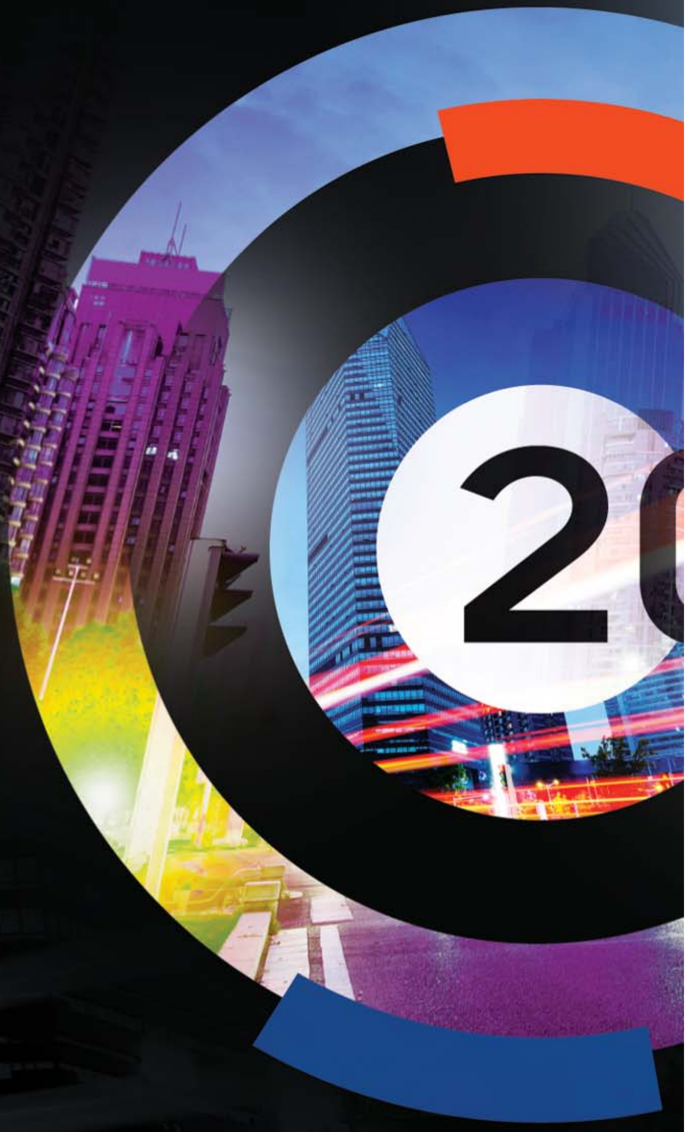


General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The entity promotes the interests of its members by representing them on matters affecting the property industry on National and Local Government levels, by providing a continuous program of educational activities and by organising conventions, seminars and workshops on matters of topical interest. The Association publishes journals and other literature for the benefit of its members. A full time Secretariat provides direct services to members and related Associations.
Directors	IN Mkhari (President) DJ Green (President Elect) NA Gopal (Chief Executive Officer) PA Levett VW Hako NU Byrd ZN Malinga N Mashaba MF Kekana AJ König K Matsau W Mulder
Registered office	Paddock View Building Hunts End Office Park 36 Wierda Road West Wierda Valley Sandton
Business address	Paddock View Building Hunts End Office Park 36 Wierda Road West Wierda Valley Sandton
Postal address	PO Box 78544 Sandton 2146
Bankers	First National Bank
Auditors	PricewaterhouseCoopers Inc.
Public officer	NA Gopal
Secretary	NA Gopal
Company registration number	1966/008959/08
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The financial statements were independently compiled by: Marlice Boshoff CA (SA)

Notice of an Annual General Meeting

Sapoa Board

Notice is hereby given that an Annual General Meeting for the South African Property Owners Association NPC will be held at the Cape Town International Convention Centre, at 17h00 on the 19 June 2019 in the Main Auditorium.

The purpose of the Annual General Meeting are as follows:

1. Consideration of the Annual Financial Statements.
2. Appointment and Fixing of the remuneration of the Auditor.
3. To transact such other business as may be transacted at an Annual General Meeting.

Any member entitled to attend and vote at the meeting shall be entitled to appoint another person as his/her proxy to attend and vote in his/her stead, whether on a show of hands or on a poll. A proxy need not be a member of the Association.

The instrument appointing a proxy and any power of attorney or other authority under which it is signed shall be deposited not later than 12h00 on the 14 June 2019 before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote at the registered office of the Association, and may be e-mailed to legal@sapoa.org.za for the attention of (Legal Consultant).

BY ORDER

Director
NA Gopal (Chief Executive Officer)

Message from SAPOA President: Ipeleng Mkhari

I am honoured to be at the helm of SAPOA as its President in the 53rd year of its' existence.

As a member-driven organisation, SAPOA is committed to actively and responsibly representing, protecting and advancing your commercial property interests within the property industry.

SAPOA promotes the interests of its members by:

- Representing them on matters affecting the property industry on national and local government levels,
- Providing a continuous program of educational activities, and by,
- Organising seminars, workshops and conventions on matters of topical interest.

My focus areas for my tenure revolved around education, advocacy, transformation and research.

FINANCES

I am pleased to report that Revenue for the 2018 year was R43.2 million, up by 11% compared to 2017, while retained earnings increased by 17% to R14.9 million.

Over the last few years, SAPOA has contributed the following for the benefit of the industry:

- **R 255 000 towards the Business Against Crime initiative;**
- **R 600 000 towards the establishment of the Green Building Council of South Africa;**
- **R 1 million towards the Industry Advocacy Fund;**
- **R 1.8 million towards the SAPOA Bursary Fund;**
- **R 2.7 million towards the Property Sector Charter Council;**
- **R 11.9 million spent since 2010 with regards to Industry Research; and**
- **R 13.8 million spent since 2010 with regards to Advocacy.**

SAPOA has yet again received an unqualified audit from PwC.

EDUCATION

SAPOA provides continued growth and development opportunities to its members and the property industry at large, by hosting informative, crucial and current seminars and workshops on the latest industry developments. Our aim is to provide professionally designed, globally competitive educational programmes, to introduce prospective students to the commercial and industrial property sector, as well as to empower working professionals with tools to forge ahead in their companies. It is with this goal in mind that we have offered several study opportunities through its accredited flagship educational programmes offered in collaboration with leading universities across the country.

SAPOA jointly with the University of Johannesburg (UJ) has developed another new course, Public Sector Property Programme (PSPP) which is a two week course. Focusing on modules such as Property legislation, Charters, Property Finance, Property Management, Property Investment, Property Valuations, Green and environmental aspects. SAPOA continues to forge strategic relationships to address the scarce and critical skills shortage in our country. The SAPOA Bursary Fund aims to attract motivated school leavers to join the commercial property sector and increase the skills pool.

Message from SAPOA President: Ipeleng Mkhari

In an effort to address transformation and promote the property sector to prospective students, SAPOA focused intensely on its bursary fund by providing deserving university students with study bursaries. Together with its member companies, SAPOA manages the bursary fund and seeks to award only the most promising and deserving candidates. Since inception the Bursary Fund has had 46 students successfully graduate from property related qualifications, 59% of those are female and 83% were successfully absorbed by the industry.

I encourage more member companies to participate, where possible, in extending the reach and depth of the bursary fund, whether it be by financial contribution or mentorship or vocational work opportunities, so that the fund is able to assist more students and graduates.

ADVOCACY

Advocacy is a pivotal role of SAPOA as it provides targeted participation in legislative development that will affect SAPOA members directly. Advocacy also gives SAPOA an authoritative voice that participates in matters that relate to laws that govern South Africa's built environment.

The SAPOA Legal Committee works tirelessly to represent the industry, offer opinion on Bills that are in Parliament and decode the laws that affect the industry and members business interests.

SAPOA Legal Department has dealt with several matters and pieces of legislation as it affects our members. Memoranda of Understanding are concluded with COGTA and National Treasury to look at pressing issues such as: Property Rates Policy including (Municipal Budgets, Community participation in Property Valuation process, Property Rates accounts, Changes to valuation roll and General Valuation, Objections and Appeals process, Valuations and Appeals Board, Supplementary valuations, Hosting of data by Municipalities, Review process. Regulations. Rezoning applications. Rates clearance certificates. Integrated Urban Development Framework (IUDF). Investments in Metros.

Spatial Transformation specifically focusing on Spatial planning and spatial targeting of all spheres of government and private sector investment across all sectors and land.

The promotion and alignment of the planning, financing and development of mixed use developments; Precinct management and CID's which entails managing precincts through an area based management approach using tools that facilitate and/or enforce compliance with precinct plans and development agreements and ensure the desired commercial and developmental outcomes.

TRANSFORMATION

We contribute to be a major supporter of transformation initiatives in the industry and, to date, we are the largest contributor to the Property Charter Council (PSCC). We signed a 3 year funding agreement with the PSCC to fund them R750k until 2020.

Message from SAPOA President: Ipeleng Mkhari

RESEARCH

SAPOA continues to provide research papers to the industry with the aim of being the source of credible and reliable information through the coalition, collection and dissemination of statistics. These value-added information packs and project-oriented research is a culmination of studies in all areas directly or indirectly related to real estate.

Our Research papers are disseminated to members, the public, universities, media and appropriate state agencies with the hope that this information can be used to make informed decisions, to encourage economic growth and development, to support the professional development and continuing education and to recommend changes to Legislation and Policy.

THE FOLLOWING RESEARCH PAPERS ARE RELEASED ANNUALLY:

REPORT

- Office Vacancy Survey
- Industrial Vacancy Survey
- Capitalisation and Discount Rate Survey
- Operating Cost Report
- Rates and Taxes Report
- Retails Trends Report
- Market Trends Report

As a member-focused association, we strive to create as many networking opportunities as possible, by hosting various networking functions, breakfasts and golf days across the countries in various regions. SAPOA also attends and participates in externally hosted industry events, notably the BOMA International Conference, The Australian Property Council and Green Building Council of SA, where Neil Gopal sits on the Board of Directors. SAPOA and its directors acknowledge their role in ensuring that the organisation strengthens its level of influence, while remaining self-sufficient through increasing their skills pool, promoting building excellence.

The past 53 years has been a positive one for SAPOA. This adds a great deal to the credibility of SAPOA, as it proves our longevity, staying power and success as the property industry body. We thank you for your continuous support and participation in making SAPOA the official voice of the commercial property industry.

Annual report

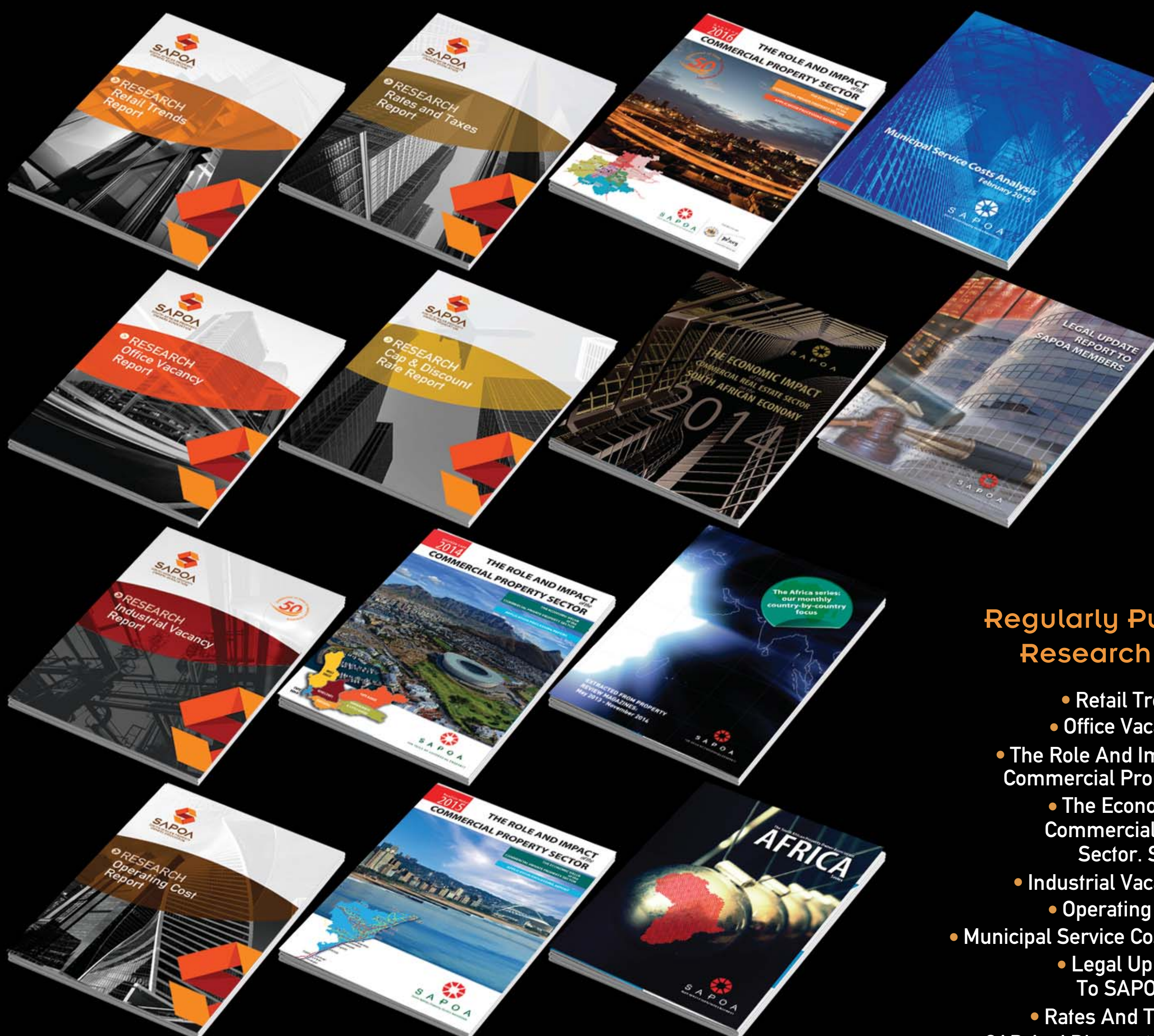
Vision & Mission

SAPOA aims to be a nationally accepted and internationally recognised leading property association. SAPOA's mission is to be committed to actively and responsibly represent, protect and advance our members' commercial property interests within the property industry.

Research

SAPOA publishes regular research on a continuous basis. The organisation is intensely involved in the collection and the dissemination of property data and statistics. Research reports provide ease and cost effective access to accurate, up-to-date research that can be used by industry makers.

SAPOA research is conducted through various strategic partnerships with private and public sector formations.



Regularly Published Research Reports

- Retail Trends Report
- Office Vacancy Survey
- The Role And Impact Of The Commercial Property Sector
- The Economic Impact. Commercial Real Estate Sector. SA Economy
- Industrial Vacancy Survey
- Operating Cost Report
- Municipal Service Costs Analysis
- Legal Update. Report To SAPOA Members
- Rates And Taxes Report
- CAP And Discount Rate Report

SAPOA

Industry Affiliations

SAPOA has formed strong affiliations with key industry stakeholders.
It has long-standing partnerships with various organisations including:

AFRES
The African Real Estate Society

BCA
Black Conveyancing Association

BCO
British Council of Offices

BOMA
Buidling Owners and Managers Association (USA)

BPF
British Property Federation

CESA
Consulting Engineers South Africa

COGTA
Department of Cooperative Governance and Traditional Affairs

DPW
Department of Public Works

EAAB
Estate Agency Affairs Board

GBCSA
Green Building Council of South Africa

GPG
Gauteng Provincial Government

JPOMA
Johannesburg Property Owners and Managers Association

KLCBT
Kruger Lowveld Chamber of Business and Tourism

NT
National Treasury

PCA
The Property Council of Australia

PCNZ
Property Council of New Zealand

PSCC
The Property Sector Charter Council

RICS
Royal Institution of Chartered Surveyors

SAREIT
Real Estate Investment Trust SA

SACSC
South African Council of Shopping Centres

SACN
SA Cities Network

SACPLAN
South African Council for Planners

SAIV
The South African Institute of Valuers

SAIBPP
South African Institute of Black Property Practitioners

SAPI
South African Planning Institute

SAPVIA
South African Photovoltaic Industry Association

ULI
Urban Property Institute

WPN
Women’s Property Network

Through these relationships and the backing of a number of research and analysis listed property groups, residential property groups, urban regeneration associations and local online resources, SAPOA has a wealth of information at its fingertips, which it is able to share, to inform and to enlighten its members. Global connection such as the Building Owners Managers Association (BOMA) also ensure that SAPOA has its finger on the pulse of the international property market.

Education, Training and Development

The Association provides continued growth and development opportunities to its members and the property industry at large by hosting informative, crucial and current seminars and workshops on the latest industry developments. One of the Association's aim, was to provide professionally designed, globally competitive educational programmes to introduce prospective students to the commercial and industrial property sector as well as to empower working professionals with tools to forge ahead in their companies.

SAPOA achieved this goal of increasing the pool of well equipped industry professionals by providing study opportunities through its accredited flagship educational programmes offered in collaboration with leading universities in the country. Some of the universities SAPOA collaborates within its programmes include the University of Cape Town Graduate School of Business, University of the Witwatersrand, University of Johannesburg and the University of Pretoria. SAPOA continued to forge relationships to address the scarce and critical skills of our country.

Graduates of SAPOA programmes such as the Property Management Programme (PMP), the Property Development Programme (PDP), Public Sector Property Programme (PSPP) and others were deservedly honoured in graduation ceremonies held by SAPOA and institutions that collaborated in offering the various courses across the country.

Flagship SAPOA Educational courses include:

SAPOA

Education, Training and Development

THE BLUEPRINT FOR REAL ESTATE EDUCATION

SAPOA partners with South African Universities for all real estate courses.

The educational efforts of SAPOA are aimed at:

- Increasing knowledge and skills of the property industry amongst employees with the industry.
- Ensuring that the content of the programmes/workshops and other educational interventions are aligned to industry needs.
- Raising employability and/or competence of the practitioners and professionals in the industry.

Education, Training and Development

The SAPOA Bursary Fund is another tool that the Association implements in order to attract motivated youths to join the commercial property sector and increase the skills pool and support the Industry through educated Human Resources.

In an effort to promote transformation, redress the past, promote the property sector to youths and address the current and future skills shortage, SAPOA focused intensely on its Bursary Fund by providing deserving university students with study bursaries. Together with its member partners, SAPOA manages the Bursary Fund and seeks to award only the most promising and deserving candidates.

The Bursary Fund, which is accessible to students who are pursuing full-time study in South African universities, continues to be a game changer in the education and development of future property leaders.

The qualifications which the Bursary Fund recognises include:

- **BSc** Property Studies
- **BSc** Quantity Surveying
- **BSc** Urban and Regional Planning
- **BSc** Town and Regional Planning
- **BSc** Real Estate
- **BSc** Finance
- **BSc** Construction Studies
- **BCom** Property Valuation and Management
- **BSc** Property Management
- **BSc** Architecture

Education, Training and Development

SAPOA BURSARY SCHEME

Objectives of the SAPOA Bursary Scheme:

- To transform the commercial property industry in South Africa.
- Provide disadvantaged people property related education and entrance to the commercial property industry.
- Promote the Commercial Property Industry at both school and tertiary levels to ensure growth into the future.
- Address the current and future skills shortage in the Commercial Property Industry.

Areas of Study:

SAPOA offers bursaries to full time South African University and university of technology studies in the following disciplines:

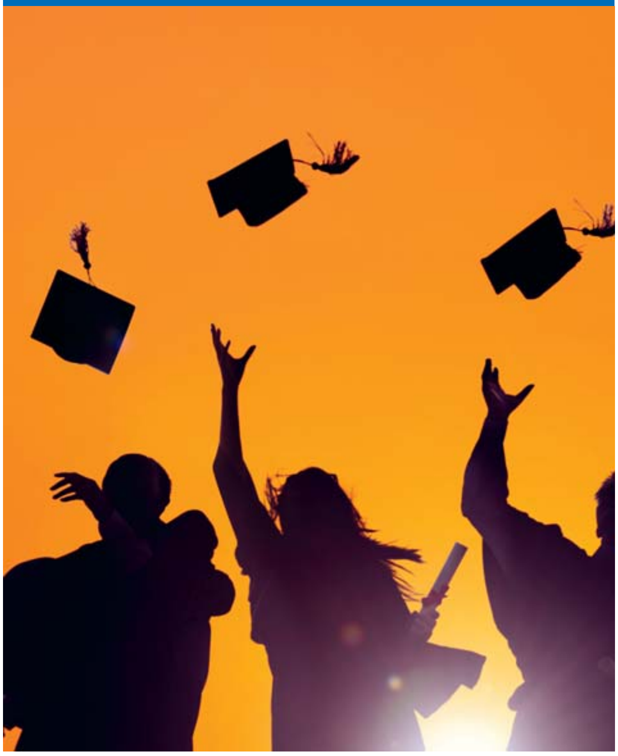
BSc Property Studies
BSc Urban and Regional Planning
BSc Constructional Studies
BSc Quantity Surveying
BSc Town and Regional Planning
BSc Property Management
BSc Real Estate
Bcom Property Valuation and Management
ND Real Estate
BSc Architecture

To date, over 46 students have graduated from the SAPOA Bursary Fund programme and are gainfully employed in the corporate sector with the majority in the property industry. Currently the programme has 25 students that are also supported with mentoring.

SSETA SAPOA BURSARY

In 2015, the Services SETA (SSETA) partnered with SAPOA to offer students bursaries. Over four years, students across three provinces are being sponsored to pursue property related qualifications.

As the SSETA SAPOA bursary project draws to a close; we celebrate the impact it has made in the lives of 8 students that are about to complete their studies at the end of 2019.



Education, training and development initiatives are the backbone of the Association and assist in the quest for an improved built environment landscape.

Advocacy

Matters That Are Being Handled By SAPOA Legal Department

We set out hereunder some of matters that are being handled by SAPOA for 2018/2019.

LOBBYING HIGHLIGHTS

1.1 RATES INCREASES AT MUNICIPAL LEVEL

Rising municipal property rates is a hot-button issue - one that negatively affects, not only operating costs and gross rentals, but also makes demand on property management resources.

Given its above inflation growth and its higher growth relative to other operating costs, property rates have increased as a % of total operating cost over time. In 2005, property rates worked out to 17.3% of total operating costs – by end of 2016 this had escalated to 22.8%.

It is common knowledge that the South African Municipal Valuation sector is in dire straits and in need of urgent revision, especially in so far as the valuation of commercial properties is concerned.

Much criticism has been levied against the way in which the Municipal Property Rates Act (MPRA) has been implemented by municipalities. There is general consensus that municipalities are performing better with residential than commercial properties. When it comes to commercial properties, there is little consistency and accuracy with regard to the municipal values.

In our view the fault does not lie with the Act as such, rather the main weaknesses can be attributed to:

- Inexperienced valuers being appointed to perform valuations;
- Municipalities not grasping the vital relationship between a complete and accurate valuation roll and tariff setting, i.e. the property rates budget;
- The complete lack of property information that would enable the municipal valuer to perform accurate and consistent valuations;
- Inadequate resources to compile valuation rolls that are consistent and the maintenance thereof.

Implementation of the Municipal Property Rates Act (MPRA) is failing at most Municipalities across the country. The implementation of the MPRA has become problematic, resulting in general and supplementary valuation rolls that are not accurate, consistent, efficient and uniform as intended by the Act. This has a direct negative impact on property rates and it further impacts on landlord and tenant relationships as property rates are one of the top expenses on the landlord's list of operating expenses. Property owners may be liable for penalties if information is not submitted or incorrectly submitted.

OTHER AREAS OF CONCERN

The validity of a GV roll is a maximum of 5 years for metros and 7 years for other municipalities. Typically, one would like to reduce this cycle to prevent major valuation changes. The City of Johannesburg for e.g. has over 900,000 properties. On average 1 person can inspect 20 properties per day. This equates to 45,000 days. The City of Tshwane 25 years ago had 45 valuers valuing 149 000 properties. Today they have 35 valuers trying to value 800 000 properties.

Cape Town is the shining light as they have the capacity in terms of man power and a well-maintained data base to produce a new valuation roll every 3 years.

The other metros with in-house valuation departments (Nelson Mandela, Buffalo City, eThekwini, Ekurhuleni, Johannesburg and Tshwane) are struggling.

SAPOA

Advocacy

Municipalities are faced with capacity issues as they are not prepared to source its best source of income and the best service providers are not always appointed. Rates Policies. The policies are often badly drafted and in conflict with the MPRA and regulations. Property rates tariffs are not published in time or not published at all.

Municipalities not decreasing tariffs with new valuation roll:

- Johannesburg
- Ekurhuleni
- Buffalo City

Municipalities increasing rates when new roll was implemented:

- Mogale City (Krugersdorp)
- Mangaung
- Nelson Mandela Bay

It is a concern that only 3 of the 8 metros reduced tariffs with the implementation of new valuation rolls by-laws and that Municipalities are plagued with inefficiencies.

SAPOA has appointed its team of consultants, Rates Watch, to interrogate the municipal valuations and municipal rates and is currently undertaking research to provide an impact analysis.

1.2 EXCLUSIVITY CLAUSES (MARKET INQUIRY INTO THE GROCERY RETAIL SECTOR)

On behalf of its members, SAPOA lodged a complaint with the Competition Commission and requested the Commission to re-open its investigation into exclusivity clauses and to give a definitive ruling regarding the anti-competitive nature of exclusivity clauses in leases once and for all. The Inquiry officially began on 27 November 2015 (the Commission is required to wait 20 business days from date of publication of the final Terms of Reference) and the Commission aims to complete the Inquiry by 29 May 2017.

The Competition Commission had public hearings and called for public hearings and indicated dates where these hearings will be held in Gauteng, Western Cape and Kwa Zulu Natal.

The Commission also requested SAPOA's assistance in gathering details of small and independent retailers who have been negatively affected by exclusivity clauses in lease agreements.

The Retail Market Inquiry completed its public hearings towards the middle of December 2017 and the initial timetable was that the report would be finalised towards the end of March 2017.

However, on 23 March 2018, it was announced that the timetable will be extended as follows:

- A provisional report will be published by 29 June 2018; and
- A final report and recommendations will be published by 28 September 2018.

From the announcement it transpires that the terms of reference still remain the same and that more time is needed to finalise the report and to continue engaging with stakeholders, if necessary.

On 26 September 2018 the Competition Commission amended its terms of reference and the completion date was extended to 30 September 2019. It states that this will enable them more time to consult with additional stakeholders. The rest of the scope remains the same.

Advocacy

2. PERTINENT BILLS AND ACTS

Some of the pertinent Bills and Acts which have been closely monitored are highlighted:

2.1 BUSINESS RESCUE:

One of SAPOA's main arguments is that a tenant's rental, from the time that the tenant goes into business rescue until the time that the business rescue process comes to an end, is post-commencement finance and accordingly, SAPOA requested the Specialist Committee to amend the Act to specifically provide for this. Although the Committee was sympathetic towards SAPOA, it indicated that government was reluctant to change the Act. SAPOA brought a declarator on the 13th October 2016. The court decided that we were not entitled to the declaratory relief sought. Judge Janse van der Westhuisen said that interpreting the Act in the way we wanted would defeat the purpose or aim of business rescue intended in section 128(1)(b) and would "elevate an obligation prior to commencement of business rescue proceedings to a preference over other creditors not provided or contemplated by the provisions of section 135 of the Act".

Judgment was handed down on the 29th November 2016. The Court decided that SAPOA was not entitled to the declaratory relief sought. Judge Janse van der Westhuisen stated that interpreting the Act in the way we wanted would defeat the purpose or aim of business rescue intended in Section 128(1)(b) and would "elevate an obligation prior to commencement of business rescue proceedings to a preference over other creditors not provided or contemplated by the provisions of section 135 of the Act.

SAPOA then met with Michael Katz on the 13th February 2017 and raised its concerns. Michael Katz confirmed that he will submit SAPOA's concerns to the Specialist Committee which he did on the 13th March 2017. We were advised that the Committee was looking at amending Chapter 6 of the Companies Act.

On the 22nd August 2018 Cabinet approved the Companies Amendment Bill to be gazetted for public consultation. The Bill seeks to among others, amend section 135 of the Companies Act regarding Business Rescue.

SAPOA through its attorneys Norton Rose submitted comments on 8 November 2018.

The Consumer and Corporate Regulation Division of the Department of Trade and Industry then met with SAPOA on 2 April 2019 to discuss the amendments that SAPOA had proposed. The department indicated that they have been meeting with stakeholders, specifically those affected by the provisions or who made input to the process. The intention is to clarify concerns raised by stakeholders and get an understanding of the practical impact of the proposed amendments and to discuss the inclusion of the Business Rescue Provisions in (Section 135) of the Bill. SAPOA agreed to redraft the clause for insertion into the Bill. The redrafted clause was furnished to DTI and SAPOA attended a stakeholder engagement with DTI on 2 May 2019. It is encouraging to note that SAPOA's redrafted clause has been taken into consideration and we now await the final draft of the Bill.

2.2 PROPERTY PRACTITIONERS BILL

The Property Practitioners Bill ("Bill") was published on 31 March 2017 in GG 40733 and is intended to replace the current Estate Agency Affairs Act of 1976 ("EAA Act") in its entirety

SAPOA recognizes the need for consumers to be protected as well as the prioritization of transformation. These imperatives are of importance and we are in support of same. Against this background SAPOA has dedicated a great deal of time over the last few years, effort and money in assisting the EAAB in redrafting and providing comments to all previous versions of the Bills so that the objectives outlined above can be met. In the main, the comment serves to provide suggestions aimed at strengthening clarity to the important concepts in the Bill so that its application is clearly defined.

The Department of Human Settlements subsequently engaged with stakeholders on the final version of the draft. It was disconcerting to note that the current version of the Bill does not reflect the significant engagement between SAPOA and the EAAB and therefore appears to be largely unaltered.

Some of the concerns raised by SAPOA:

The requirement that each director of a property practitioner company be registered as a property practitioner has been brought forward from the EAA Act. This requirement is no longer appropriate.

Whilst the draft Bill intends to regulate more stakeholders within the property industry as defined through the definition of a "property practitioner", the composition of the Board focuses on the professional expertise and or experience required. While such is important, it is however critically important that the Board should be representative of the various regulated sub-sectors of the property industry.

The limit placed by section 37(2) on the amount which may be paid from the Fund in respect of any category is unjustified and may lead to a loss of confidence on the part of the public in dealing with property practitioners.

Listed property and unlisted property owners are already highly regulated.

Neither the Act nor the Bill has provisions relating to exclusions from the Act.

Section 48(3) makes provision for the deemed approval of an application for a fidelity fund certificate. Notwithstanding the fact that the Authority is supposedly compelled to issue the fidelity fund certificate to the applicant concerned under the circumstances contemplated in section 48(3), the Authority may nonetheless fail to do so.

The inspector is given the power to enter and inspect any business premises of a property practitioner without a warrant. Given the fact that certain property practitioners have multiple businesses, some of which are entirely unrelated to their business as a property practitioner, the inspector's warrantless search and seizure powers should be limited to business premises.

The Bill was introduced to the Parliamentary Portfolio Committee on the 26 July 2018 in its original form with little or no amendments or consideration given to comments that were submitted by SAPOA. SAPOA has since written to the President and raised its concerns and requested that the he does not assent to the Bill in its current form. SAPOA met with the Director-General of Human Settlements and will be put onto the task team to draft the Regulations.

2.3 EXPROPRIATION BILL

The Department of Public Works published the revised Expropriation Bill in the Government Gazette on 21 December 2018 (attached). The key amendment from the previous draft is that of section 12 (3) which states that:

- It may be just and equitable for nil compensation to be paid where land is expropriated in the public interest, having regard to all relevant circumstances, including but not limited to;
- where the land is occupied or used by a labour tenant, as defined in the Land Reform (Labour Tenants) Act, 1996 (Act No. 3 of 1996);
- where the land is held for purely speculative purposes;
- where the land is owned by a state-owned corporation or other state-owned entity;
- where the owner of the land has abandoned the land;
- where the market value of the land is equivalent to, or less than, the present value of direct state investment or subsidy in the acquisition and beneficial capital improvement of the land.

SAPOA supports a land expropriation process where the rights of present and future landowners are balanced, with the need to ensure stability and economic growth.

It is our view that Section 25 already mandates the State to expropriate land to achieve land reform. Unfortunately, the State's track record over the last 20 years, in giving effect to restitution and redistribution, has been poor. It adopted a willing buyer / willing seller policy when there was no need to do so. It has not used its expropriation powers to redistribute land.

Our stance has been that it is inappropriate to categorise all vacant land as unproductive. Although it may, at any point in time not be used in the most productive manner, through market forces, land would naturally be converted to a better and higher use. Investors invest in land where there is a high risk and potentially high return and vacant land attracts higher rates. These investors are prepared to pay these rates because of the future potential of the land.

We are concerned about the possibility of government wanting to expropriate land held for what they believe is "speculative" purposes. By definition, "speculation" implies "guesswork" or "a gamble". It is unlikely that investors would buy land on guesswork or on a gamble. Intention represents a commitment to carrying out an action or actions in the future. Intention involves activities such as planning, purpose and forethought and SAPOA would like government to revisit these issues.

Advocacy

2.4 THE DRAFT CARBON TAX BILL

The property sector is however facing significant challenges which include above-inflation increases in electricity prices as well as rates and taxes and the imposition of a carbon tax is expected to significantly contribute to administered cost pressures.

It is understood that for most property owners the impact of the carbon tax is not expected to be a direct impact, but more of an indirect impact. The impact of a carbon tax on the property industry is expected to be largely in the form of increasing electricity prices and increased fuel price. As the national utility, Eskom, will be directly liable to pay carbon tax on their direct emissions, it is expected that this cost would be passed onto its consumers. In addition, the impact on property owners would depend on how the electricity costs are managed in lease agreements with tenants, in which the cost will be passed onto tenants.

The increase in the fuel price will need to be taken into account by SAPOA members, over which they have little or no control.

In addition, it is expected that there would be a cost impact on other building materials, for example, the cement industry would be directly liable to pay carbon tax on direct emissions and therefore it is expected that the cost would be passed onto consumers.

The design structure of the carbon tax would not allow for the property industry to benefit from any tax-free allowances and there is limited scope for reducing the impact of the carbon tax on the industry. The industry has been investing in sustainable technologies in order to reduce its electricity consumption, but in many instances this may not always be under the control of property owners. In addition, investment in sustainable technologies are often without returns. Additional tax liabilities would make it even more challenging to improve on sustainable technologies in the property industry.

The organisation therefore wishes to raise its concerns regarding the timing of the imposition of a carbon tax and the impact on the industry could see significant cost increases in an already high administered cost industry.

SAPOA's overall recommendation to National Treasury is to delay the implementation of the carbon tax until after 2020 so that all the mandatory reporting and carbon budget processes are finalised and implemented for a few years.

Parliament's Finance Standing Committee approved the Carbon Tax Bill on 5 February 2019. The next steps would appear to be as follows:

The Carbon Tax Bill is debated and voted on at a sitting of the National Assembly. If there is a majority of votes in favour, the Carbon Tax Bill is passed and the Carbon Tax Bill is then referred to the NCOP for consideration.

The NCOP can accept or reject the Carbon Tax Bill or propose amendments to it:

If the NCOP passes the Carbon Tax Bill without amendments, it goes to the President for his assent and signature and the Carbon Tax Bill then becomes law. The Carbon Tax Act will appear in the Government Gazette and will come into effect on 1 June 2019 or on a date determined by the President.

If the NCOP proposes amendments to or rejects the Carbon Tax Bill, it must go back to the National Assembly for reconsideration. The National Assembly can pass the Carbon Tax Bill with or without the NCOP amendments, or it can reject the Carbon Tax Bill.

3. CONTRACT MANAGEMENT

SAPOA enters into a large variety of agreements/contracts which can range significantly in value, duration and in complexity. As a consequence, the nature and extent of contract management will vary depending on the size, nature, complexity and risk profile of each contract. There is a need for appropriate for its situation. SAPOA drafted and concluded in excess of 300 (three hundred) contracts with various parties. The contracts pertain to sponsorships relating to events in all the regions, Service Provider Agreements, contracts specific to the Annual Convention, and the Bursary Agreements.

Networking and Industry Participation

THE SAPOA ANNUAL INTERNATIONAL CONVENTION & PROPERTY EXHIBITION

South Africa's leading event for the property industry is the place to be seen, do business, learn and network. This powerful and executive marketing forum offers you various opportunities to convey your marketing messages to the people who drive our industry.

For more information on the convention visit: www.sapoa.org.za/convention

NETWORKING FUNCTIONS

SAPOA considers itself to be a family. In order to ensure growth and vitality within the industry, it encourages networking between all members as well industrial leaders. Knowledge sharing at such a high level has contributed significantly to SAPOA being recognised as the Voice of the Commercial Property Industry of South Africa.

SAPOA creates substantial networking opportunities through such events such as Convention, Workshops, Breakfast Sessions and Golf days.

Networking and Industry Participation

EVERYTHING IS BIGGER AT THE SAPOA CONVENTION

President's and CEO's Report

Neil Gopal
Chief Executive Officer and Public Officer

Ipeleng Mkhari
President

Revenue for the 2018 year was R43.2 million, up by 11% compared to 2017, while retained earnings increased by 17% to R14.9 million.

Over the last few years, SAPOA has contributed the following for the benefit of the industry:

- R 255 000 towards the Business Against Crime initiative;
- R 600 000 towards the establishment of the Green Building Council of South Africa;
- R 1 million towards the Industry Advocacy Fund;
- R 1.8 million towards the SAPOA Bursary Fund;
- R 2.7 million towards the Property Sector Charter Council;
- R 11.9 million spent since 2010 with regards to Industry Research; and
- R 13.8 million spent since 2010 with regards to Advocacy.

SAPOA has yet again received an unqualified audit from PwC.

Retained earnings increased by 17% to R 14.9 million

President's and CEO's Report

Over the last few years, SAPOA has contributed the following for the benefit of the industry:

R 255,000
towards the Business Against Crime initiative

R 2,700,000
towards the Property Sector Charter Council

R 600,000
towards the establishment of the Green Buildings Council of SA

R 11,900,000
spent since 2010 with regards to Industry Research

R 1,000,000
towards the industry Advocacy Fund

R 13,800,000
spent since 2010 with regards to Advocacy

R 1,800,000
towards SAPOA Bursary Fund

Index

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

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The following supplementary information does not form part of the financial statements and is unaudited:

Detailed Income Statement	45

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are 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 or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 December 2019. In the light of this review and the current financial position, they are satisfied that the company had or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 30 to 31.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the board of directors's and committees of the board. The directors's believe that all representations made to the independent auditors during their audit are valid and appropriate.

The financial statements set out on pages 32 to 46, which have been prepared on the going concern basis, were approved by the board on 16 May 2019 and were signed on its behalf by:

Director
IN Mkhari (President)

Director
NA Gopal (Chief Executive Officer)

Directors' Report

The directors submit their report for the year ended 31 December 2018:

1. NATURE OF BUSINESS

The association is engaged to promote the interests of its members by representing them on matters affecting the property industry on National and Local Government levels, by providing a continuous program of educational activities and by organising conventions, seminars and workshops on matters of topical interest. The association publishes journals and other literature for the benefit of its members. A full time secretariat provides direct services to members and related associations. The company operates principally in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

2. REVIEW OF FINANCIAL RESULTS AND ACTIVITIES

The financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net profit of the company was R 2,186,448 (2017: R 872,307).

3. DIRECTORS

The directors in office at the date of this report are as follows:

DIRECTORS	CHANGES
NNN Radebe	Resigned 20 June 2018
PA Levett	
NA Gopal (Chief Executive Officer)	
GS Moseneke	Resigned 20 June 2018
DJ Green (President Elect)	
JN Aling	Resigned 20 June 2018
JN Zidel	Resigned 20 June 2018
IN Mkhari (President)	
VW Hako	
NU Byrd	
P Engelbrecht	Resigned 20 June 2018
ZN Malinga	
N Mashaba	
MF Kekana	Appointed 20 June 2018
AJ König	Appointed 20 June 2018
K Matsau	Appointed 20 June 2018
W Mulder	Appointed 20 June 2018

4. GOING CONCERN

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

5. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any other matter or circumstance arising since the end of the financial year and the reporting date, that would materially impact the financial statements.

Board of Directors 2019

Neil Gopal
Chief Executive Officer & Public Officer

Ipeleng Mkhari
Chief Executive Officer, Motseng Investment Holdings
(President)

David Green
Chief Executive Officer, ProAfrica Property Services
(President Elect)

Peter Levett
Managing Director, Old Mutual Property
(Immediate Past President)

Zola Malinga
Co-founder & Executive Director, Jade Capital Partners

Noel Mashaba
Executive Chairman, GladAfrica Group

Vuyani Hako
Acting Chief Executive Officer, PIC Properties

Nnema Byrd
Portfolio Manager, STANLIB

Malose Kekana
Group Chief Executive Officer, Pareto Limited

Andrew König
Chief Executive Officer, Redefine Properties

Werner Mulder
Head, Sustainability Attacq

Khotso Matsau
Managing Member, Lalela Properties

National Councillors

Ipeleng Mkhari	Chief Executive Officer, Motseng Investment Holdings	*SAPOA President*
Neil Gopal	Chief Executive Officer	*SAPOA*
Lilian Barnard	Metope Investment Managers	*SAPOA REIT Committee*
Londiwe Mthembu	Abland	*SAPOA Education, Training & Development Committee*
David Green	Chief Executive Officer, ProAfrica Property Services	*SAPOA Convention Committee*
	VACANT POSITION	*SAPOA Government Liaison Committee*
Zinon Marinakos	DSA Architects International	*SAPOA Awards Committee*
Richard Bennet	iProp Proprietary Limited	*SAPOA National Developers Forum Committee*
Marita Meyer	Niche Properties Commercial	*SAPOA Brokers Committee*
Stephanie Ainsworth	City Property Admin	*SAPOA Legal Committee*
Nicole Baumgarten	Broll Property Group	*SAPOA Property and Facilities Management Committee*
Werner Mulder	Head: Sustainability, Attacq	*SAPOA Sustainability Committee*
Elaine Wilson	Broll Commercial Property Services Company	*SAPOA Research Committee*
Nnema Byrd	Investment Principal, STANLIB Africa, Direct Property Development Fund	*SAPOA Management Committee*
Musa Ngcobo	Thelma Ngcobo & Associates	*SAPOA Property Charter Alignment Committee*
Sean Liebenberg	Profica	*SAPOA Method of Measuring Floor Areas Committee*

Regional Councillors

Johan Burger	Independent Consultant	*SAPOA East London Regional Councillor*
Simon Nicks	CNdV Africa	*SAPOA Western Cape Regional Councillor*
Paul Altenroxel	Knottrox Property Trust	*SAPOA Limpopo Regional Councillor*
Mark Bakker	Bruce McWilliams Industries	*SAPOA Port Elizabeth Regional Councillor*
Bernadette Khumalo	AKTIV Property Development	*SAPOA Kwa-Zulu Natal Regional Councillor*
Derek Todd	Kellaprince Properties	*SAPOA Mpumalanga Regional Councillor*

Honorary Life Members

Mr Brian Kirchmann	*(Long-standing Chief Executive Officer)*
Mr AJ van der Riet	*(First Chairperson)*
Mr Norbert Sasse	*(Life Time Achievement Awards Recipient – 2016)*

Past Presidents

1966 - 1970	A J van Riet
1970 -1972	Dough B Hoffe
1972 - 1974	M A Bezuidenhout
1974 - 1976	G R L Canning
1976 -1978	Corne P de Leeuw
1978 - 1979	Murray Hofmeyr
1979 - 1981	Gert Hugo
1981- 1983	Bob Levitt
1983 - 1984	P J A Moolman
1984 - 1985	A M Buss
1985 - 1987	R D Walker
1987 - 1988	Ronnie Masson
1988 - 1989	Robin Vorster
1989 -1991	Erik R Field
1991 -1993	Derek Stuart-Findlay
1993 - 1994	Hendrik Bester
1994 - 1995	Colin Steyn
1995 - 1996	Gordon Hibbert
1996 -1997	Tiny Barnetson
1997 -1998	Nick Harris
1998 -1999	Anton Musgrave
1999- 2000	Banus van der Walt
2000 - 2001	Chris du Toit
2001 - 2002	Anthony Diepenbroek
2002 - 2003	Papi Mphahlele
2003 - 2004	Gerhard van Zyl
2004 - 2005	Lynette Finlay
2005 - 2006	TC Chetty
2006 - 2007	Alex Phakathi
2007 - 2008	Marna vd der Walt
2008 - 2009	Ben Kodisang
2009 - 2010	Warren Schultze
2010 - 2011	Samuel Ogbu
2011-2012	Kevin Roman
2012 - 2013	Dr Sedise Moseneke
2013 - 2014	Estienne de Klerk
2014 -2015	Amelia Beattie
2015- 2016	Michael Deighton
2016 - 2017	Nomzamo Radebe
2017 - 2018	Peter Levett

Independent Auditor's Report

To the Members of South African Property Owners Association NPC

OUR OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Property Owners Association NPC (the Company) as at 31 December 2018, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

South African Property Owners Association NPC's financial statements set out on pages 32 to 44 comprise:

- the statement of financial position as at 31 December 2018;
- the statement of profit and loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company 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 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).

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the South African Property Owners Association NPC Financial Statements for the year ended 31 December 2018, which includes the Directors' Report as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does 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 of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor’s Report

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company 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.

We communicate with the directors 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.

PricewaterhouseCoopers Inc.
Director: JR Mistri
Registered Auditor
Johannesburg

Statement of Financial Position as at 31 December 2018

	Notes	2018 R	2017 R
Assets			
Non-Current Assets			
Property, plant and equipment	**2**	1,054,789	1,435,878
Current Assets			
Inventories	**3**	42,338	44,205
Trade and other receivables	**4**	4,728,400	5,036,144
Cash and cash equivalents	**5**	19,016,417	17,424,297
		23,787,155	**22,504,646**
Total Assets		**24,841,944**	**23,940,524**
Equity and Liabilities			
Equity			
Retained income		14,865,368	12,678,920
Liabilities			
Current Liabilities			
Trade and other payables	**6**	3,535,637	5,718,678
Prepaid Subscriptions		6,440,939	5,542,926
		9,976,576	**11,261,604**
Total Equity and Liabilities		**24,841,944**	**23,940,524**

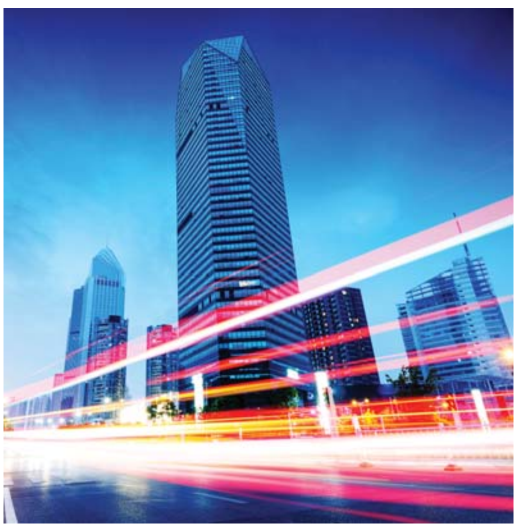
Statement of Profit or Loss and Other Comprehensive Income

	Notes	2018 R	2017 R
Revenue	7	43,199,129	38,867,257
Direct cost of revenue income	9	(22,091,028)	(19,481,918)
Gross profit		**21,108,101**	**19,385,339**
Other income	8	608,684	540,621
Operating expenses	9	(21,012,426)	(20,423,829)
Operating profit (loss)		**704,359**	**(497,869)**
Finance income	10	1,482,089	1,370,176
Profit for the year		**2,186,448**	**872,307**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,186,448**	**872,307**

SAPOA

Statement of Changes in Equity

	Retained income R	Total equity R
Balance at 1 January 2017	**11,806,613**	**11,806,613**
Profit for the year	872,307	872,307
Balance at 1 January 2018	**12,678,920**	**12,678,920**
Profit for the year	2,186,448	2,186,448
Balance at 31 December 2018	**14,865,368**	**14,865,368**



Statement of Cash Flows

	Notes	2018 R	2017 R
Cash flows from operating activities			
Cash generated from (used in) operations	13	439,639	(423,352)
Finance income		1,482,089	1,370,176
Net cash from operating activities		**1,921,728**	**946,824**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(329,608)	(1,096,412)
Net increase in cash and cash equivalents for the year		**1,592,120**	**(149,588)**
Cash and cash equivalents at the beginning of the year		17,424,297	17,573,885
Cash and cash equivalents at end of the year	5	**19,016,417**	**17,424,297**

SAPOA

Accounting Policies

1. PRESENTATION OF FINANCIAL STATEMENTS

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

These accounting policies are consistent with the previous period.

1.1 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In preparing the financial statements, management is required to make judgements, estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual result in the future could differ from these estimates which may be material to the financial statements.

1.2 FINANCIAL INSTRUMENTS

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. These instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of six months or less. Bank overdrafts are shown as a current liability on the statement of financial position.

Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction cost). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs. Borrowings are classified as current liabilities unless company has an unconditional right to defer settlement of the liability for at lease 12 months after the reporting date.

1.2 FINANCIAL INSTRUMENTS (CONTINUED)

Trade and other payables

Trade and other payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Rand using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

1.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are tangible items that:

- are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and
- are expected to be used during more than one period.
  Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment loss. Depreciation on property, plant and equipment is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

ITEM	AVERAGE USEFUL LIFE
Furniture and fixtures	5 years
Office equipment	6,6667 years
Computer equipment	3 years
Leasehold improvements	5 years
Regalia	6,6667 years

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

The residual value, depreciation method and useful life of each asset are reviewed and adjusted prospectively, if appropriate, if there are indicators present that there has been a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.4 LEASES

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

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless:

- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the payments are not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

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

1.5 INVENTORIES

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell, on the weighted average cost basis.

The cost of merchandise inventory comprises packaging costs and other direct costs. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss. Inventories are not specifically held for resale, rather for use during the operations of the company.

1.6 IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that they are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities.

1.7 SHARE CAPITAL AND EQUITY

The company does not have equity instruments in issue or authorised as per the Companies Act.

Retained income relates to prior year surpluses and deficits and is used solely for the operations of the company and not for redistribution.

Accounting Policies

1.8 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 leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

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

Defined contribution plans

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

1.9 REVENUE

Revenue comprises the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the company's activities. Revenue is shown net of sales/value-added tax, returns, rebates and discounts.

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 end of the reporting period.

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 associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period 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 shall be recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.11 TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency").

The annual financial statements are presented in 'Rand' ("R"), which is the Company's functional and presentation currency.

Translations in foreign currency are revalued on the date of the transaction to the functional currency using the spot rate on that date. Monetary items, such as receivables and payables are restated at reporting date using the spot rate at that date.

Notes to the Financial Statements

	2018 R	2017 R

2. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and impairments	Carrying value	Cost	Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	827,720	(738,008)	89,712	817,623	(692,217)	125,406
Office equipment	303,333	(172,038)	131,295	303,333	(139,980)	163,353
Computer equipment	2,298,145	(1,479,560)	818,585	2,171,640	(1,099,455)	1,072,185
Leasehold improvements	817,298	(817,298)	-	817,298	(763,692)	53,606
Regalia	40,875	(25,678)	15,197	40,875	(19,547)	21,328
Total	**4,287,371**	**(3,232,582)**	**1,054,789**	**4,150,769**	**(2,714,891)**	**1,435,878**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	125,406	12,392	(48,086)	89,712
Office equipment	163,353	-	(32,058)	131,295
Computer equipment	1,072,185	317,216	(570,815)	818,585
Leasehold improvements	53,605	-	(53,605)	-
Regalia	21,327	-	(6,131)	15,197
	1,435,876	**329,608**	**(710,695)**	**1,054,789**

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	237,866	1,578	(114,038)	125,406
Office equipment	174,581	20,922	(32,150)	163,353
Computer equipment	455,616	1,059,712	(443,143)	1,072,185
Leasehold improvements	217,065	-	(163,459)	53,606
Regalia	12,371	14,200	(5,243)	21,328
	1,097,499	**1,096,412**	**(758,033)**	**1,435,878**

The depreciation charged to the statement of profit or loss and other comprehensive income during the year amounted to R 710,695 (2017: R 758,033).

3. Inventories

	2018 R	2017 R
Merchandise	42,338	44,205

4. Trade and other receivables

	2018 R	2017 R
Trade receivables	4,312,620	2,524,170
Provision for bad debts	(65,489)	(78,871)
Prepayments	481,269	2,590,845
	4,728,400	**5,036,144**

	2018 R	2017 R
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	15,216	7,636
Bank balances	3,208,443	7,040,549
Short-term deposits	15,792,759	10,376,112
	19,016,418	**17,424,297**
6. Trade and other payables		
Trade payables	1,322,717	1,886,250
Amounts received in advance	64,294	449,597
Receiver of Revenue - Value Added Tax	1,783,110	1,685,299
Deferred lease liability	52,968	17,958
Accrued expense	312,548	1,679,574
	3,535,637	**5,718,678**
7. Revenue		
Other revenue	9,930	112,897
Educational activities	28,709,415	24,531,049
Publication revenue	1,879,447	2,282,543
Subscriptions	12,600,337	11,940,768
	43,199,129	**38,867,257**
8. Other income		
Bad debt recovered	129,624	269,850
Other income	479,060	270,771
	608,684	**540,621**
9. Expense by nature		
Advertising	-	300,980
Auditors remuneration	188,487	181,970
Bad debts	426,896	410,077
Depreciation	710,695	758,033
Direct cost of revenue income	22,091,028	19,481,918
Employee costs (refer to note 11)	11,602,000	11,556,097
Lease rentals on operating lease	1,320,319	1,102,485
Legal expenses	1,794,827	853,267
Marketing	548,907	476,821
Other expenses	1,826,058	1,739,789
Planning and development expenses	430,940	551,813
Property charter contribution	200,000	283,100
Research	1,416,568	1,652,073
Travel	546,729	557,324
Total direct cost of revenue income, distribution costs and administrative expenses	**43,103,454**	**39,905,747**

Notes to the Financial Statements

	2018 R	2017 R
10. Finance income		
Interest revenue		
Interest on short term bank deposits	1,482,089	1,370,176
11. Employee benefit expense		
Basic salary	10,268,843	10,223,879
Pension and medical aid contributions	1,333,157	1,332,218
	11,602,000	**11,556,097**

12. Taxation

No provision has been made for 2018 tax as the company is exempt from SA normal tax in terms of Section 10(1)(d)(iv)(bb) of the Income Tax Act of South Africa.

	2018 R	2017 R
13. Cash generated from (used in) operations		
Profit before taxation	2,186,448	872,307
Adjustments for:		
Depreciation	710,696	758,034
Finance income	(1,482,089)	(1,370,176)
Changes in working capital:		
Inventories	1,867	3,998
Trade and other receivables	307,744	(1,149,353)
Trade and other payables	(2,183,040)	1,423,358
Prepaid Subscriptions	898,013	(961,520)
	439,639	**(423,352)**
14. Commitments		
Operating leases – as lessee		
Minimum lease payments due		
- within one year	773,881	1,002,217
- in second to third year inclusive	1,738,446	2,129,646
	2,512,327	**3,131,863**

The Sandton office premises lease runs for 3 years from 1 March 2018. The lease has an annual escalation of 8%. Operating costs and parking expenses specified in the lease agreement has an annual escalation of 9%. The lease has been renewed.

The various office equipment leases run for 1 - 5 years with no annual escalation clause.

No contingent rent is payable.

					2018 R	2017 R

15. Directors' remuneration

Executive

2018

	Emoluments	Bonuses and other	Pension	Total
Executive Director Remuneration	1,837,001	751,059	326,480	2,914,540

2017

	Emoluments	Bonus and other	Pension	Total
Executive Director Remuneration	1,740,103	450,000	330,776	2,520,879

16. Related parties

Relationships

Director with significant influence in the following entity: (NA Gopal is a director of SAPOA NPC and trustee of SAPOA Bursary Fund Trust)	SAPOA Bursary Fund Trust
Directors	IN Mkhari DJ Green NA Gopal PA Levett VW Hako NU Bird MF Kekana AJ König K Matsau W Mulder ZN Malinga N Mashaba

Related party balances and transactions with other related parties

Related party transactions

Reimbursements received from related party

	2018 R	2017 R
SAPOA Bursary Fund Trust	1,830	44,605

17. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

18. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the end of the financial year and the reporting date, that would materially impact the financial statements.

Notes to the Financial Statements

	2018 R	2017 R

19. Financial instruments by category

2018

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Trade and other payables	-	(1,752,528)	(1,752,528)
Prepaid subscriptions	-	(6,440,939)	(6,440,939)
Trade and other receivables	4,247,131	-	4,247,131
Cash and cash equivalents	19,016,417	-	19,016,417
	23,263,548	**(8,193,467)**	**15,070,081**

2017

	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Trade and other payables	-	(4,033,379)	(4,033,379)
Prepaid subscriptions	-	(5,542,926)	(5,542,926)
Trade and other receivables	2,445,299	-	2,445,299
Cash and cash equivalents	17,424,297	-	17,424,297
	19,869,596	**(9,576,305)**	**10,293,291**

Detailed Income Statement

	Notes	2018 R	2017 R
Revenue			
Other revenue		9,930	112,897
Educational activities		28,709,415	24,531,049
Subscriptions		12,600,337	11,940,768
Magazine revenue		1,879,447	2,282,543
	7	**43,199,129**	**38,867,257**
Direct cost of revenue income			
Educational activities		20,034,257	17,347,230
Magazine		2,056,771	2,134,688
		(22,091,028)	**(19,481,918)**
Gross profit		**21,108,101**	**19,385,339**
Other income			
Bad debt - recovered		129,624	269,850
Interest received	**10**	1,482,089	1,370,176
Other income		479,060	270,771
		2,090,773	**1,910,797**
Expenses (Refer to page 46)		**(21,012,426)**	**(20,423,829)**
Profit for the year		**2,186,448**	**872,307**

Detailed Income Statement

	Notes	2018 R	2017 R
OPERATING EXPENSES			
Advertising		-	300,980
Auditors remuneration		188,487	181,970
Bad debts		426,896	410,077
Bank charges		26,415	28,556
Committee meetings		108,087	120,120
Computer expenses		229,158	213,766
Consulting and professional fees		306,836	204,798
Depreciation		710,695	758,033
Employee costs		11,602,000	11,556,097
General expense		283,828	258,833
Insurance		65,788	125,199
Internet		52,884	56,750
Lease rentals on operating lease		1,320,319	1,102,485
Legal expenses		1,794,827	853,267
Marketing		548,907	476,821
Planning and development expenses		430,940	551,813
Postage		53,461	52,796
Printing and stationery		87,873	113,066
Property Charter contribution		200,000	283,100
Public relations		117,783	92,596
Publication subscriptions		491	2,939
Repairs and maintenance		81,482	25,198
Research and development costs		1,416,568	1,652,073
Staff training		205,001	209,581
Subscriptions		79,907	76,778
Telephone and fax		110,347	136,415
Travel - local		321,456	260,840
Travel - overseas		225,273	296,484
Workmen's compensation		16,717	22,398
		21,012,426	**20,423,829**

Notes

SAPOA

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