



SAPOA
SOUTH AFRICAN PROPERTY
OWNERS ASSOCIATION

Annual Report

Twenty
17

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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	PA Levett (President) IN Mkhari (President Elect) NNN Radebe (Immediate Past President) NA Gopal (Chief Executive Officer) Z Malinga N Mashaba GS Moseneke DJ Green JN Aling JN Zidel VW Hako N Byrd P Engelbrecht
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 Durban International Convention Centre, Hall-1 at 17h00, on 20 June 2018.


The purpose of the Annual General Meeting is as follows

- a) **Consideration of the Annual Financial Statements;**
- b) **Appointment and Fixing of the remuneration of the Auditor.**
- c) **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, spoke 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 less than 48 hours (12h00, 18 June 2018) 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 (Mumtaz Moola).

By order



Director
NA Gopal (Chief Executive Officer)

MESSAGE FROM SAPOA PRESIDENT: PETER LEVETT

More than 50 years ago, SAPOA was started through a collaborative effort between Old Mutual and Sanlam, a partnership which proved fruitful then. As the Managing Director of Old Mutual Property, I feel like we have now come full circle. I am honoured to be at the helm of SAPOA as its President in the 51st 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.

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.

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. According to our statistics for the past year, 85 students have gone through the programme, with a pass rate of 98%.

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.

MESSAGE FROM SAPOA PRESIDENT: PETER LEVETT

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.

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.

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.

MESSAGE FROM SAPOA PRESIDENT: PETER LEVETT

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



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 country's various regions. SAPOA also attends and participates in externally hosted industry events, notably the BOMA International Conference, where Neil Gopal is the chairperson of the International Regional Council. 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 year has been a positive one for SAPOA, as we marked 50 years of serving the commercial property industry. Our 50th anniversary 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.

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 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
- INDUSTRIAL VACANCY SURVEY
- OPERATING COST REPORT
- RATES AND TAXES REPORT
- CAP AND DISCOUNT RATE REPORT
- THE ROLE AND IMPACT OF THE COMMERCIAL PROPERTY SECTOR
- THE ECONOMIC IMPACT, COMMERCIAL REAL ESTATE SECTOR, SA ECONOMY
- THE AFRICA SERIES, COUNTRY-BY-COUNTRY FOCUS
- SOUTH AFRICAN PROPERTY OWNERS ASSOCIATION, AFRICA SERIES
- MUNICIPAL SERVICE COSTS ANALYSIS
- LEGAL UPDATE, REPORT TO SAPOA MEMBERS



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	[PCNZ]	Property Council of New Zealand
[BCA]	Black Conveyancing Association	[PSCC]	The Property Sector Charter Council
[BCO]	British Council of offices	[REIT SA]	Real Estate Investment Trust SA
[BOMA]	Building Owners and Managers Association (USA)	[RICS]	Royal Institution of Chartered Surveyors
[BPF]	British Property Federation	[SACSC]	South African Council of Shopping Centres
[CESA]	Consulting Engineers South Africa	[SACN]	SA Cities Network
[COGTA]	Department of Cooperative Governance and Traditional Affairs	[SACPLAN]	South African Council for Planners
[DPW]	Department of Public works	[SAIV]	The South African Institute of Valuers
[EAAB]	Estate Agency Affairs Board	[SAPI]	South African Planning Institute
[GBCSA]	Green Building Council of South Africa	[SAPVIA]	South African Photovoltaic Industry Association
[GPG]	Gauteng Provincial Government	[WPN]	Women's Property Network
[JPOMA]	Johannesburg Property Owners and Managers Association	[SAIBPP]	South African Institute of Black Property Practitioners
[KLCBT]	Kruger Lowveld Chamber of Business and Tourism	[PCNS]	Property Council of New Zealand
[PCA]	The Property Council of Australia	[ULI]	Urban Land Institute

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 connections such as the Building Owners Managers Association (BOMA) also ensure that SAPOA has its finger on the pulse of the international property market.





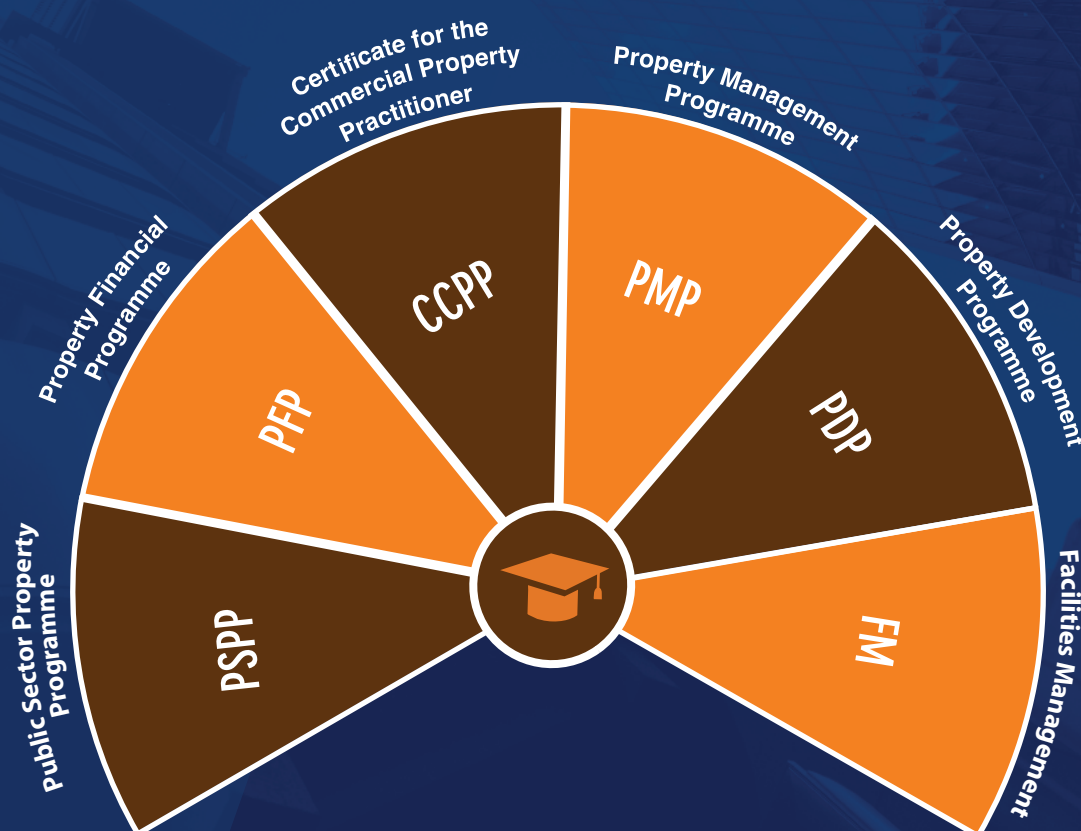
EDUCATION, TRAINING AND DEVELOPMENT

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 in 2016, as with previous years, 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 programme offered in collaboration with leading universities the country. Some of the universities SAPOA collaborates with in its programmes include the University of Cape Town Graduate School of Business, University of the Witwatersrand, University of Johannesburg. 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), Introduction to Commercial Property Programme (ICPP) and others were deservedly honoured in graduation ceremonies held by SAPOA and institutions that collaborated in offering the various courses across the country in 2016.

Flagship SAPOA educational courses include:





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 within the industry.
- Ensuring that the content of 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

BCom
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.
- 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 offer 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

In 2017, 65 students were funded by the SAPOA Bursary Fund and 10 completed their qualifications and are now gainfully employed.

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.

This opportunity seeks to advance our efforts to address skills shortage and transformation in the commercial property sector.



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

We set out hereunder matters that are being handled by SAPOA for 2017/2018.

1. LOBBYING HIGHLIGHTS

1.1 Rates increases at municipal level

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

To put some numbers around the issue, consider that total operating costs for commercial properties averaged R50.80/m² as at June 2017, of which 22% or R11.30/m² went to municipal rates and taxes. Considering that municipal rates & taxes accounted for R2.20/ m² in 2000, this means that it has effectively doubled in real terms over this period – a fivefold increase in nominal price terms.

SAPOA has, in the past, been vocal in challenging the legality of increased municipal rates charged to its members. "Rising operating costs threaten the sustainability of net returns across the spectrum of commercial and industrial property investment. Since the sustainability of the property sector is a key focus for SAPOA.

Also, of concern to SAPOA is not only the revaluation of properties but also the high rates tariffs in some Municipalities in relation to others. In such municipalities, the increased property valuations will result in the rates payable being higher than the neighbouring counterparts. "Not only is this unsustainable, but property owners pass these increases through to tenants, which has a material impact on the health of businesses in the economy." On an overall level, rates and taxes equates to 7.5% of gross income and R11.3/sqm. However, there are visible variances at a provincial level, arguably driven by different 'cents in rand' rates levied by respective municipalities within the provinces, timing of the respective general valuation rolls and the municipal valuation accuracy relative to the actual valuation.

SAPOA has appointed its team of consultants, Rates Watch, to comment on the revaluation.

1.2 Exclusivity Clauses (Market inquiry into the grocery retail sector)

On behalf of its members, SAPOA has lodged a complaint with the Competition Commission and has 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 will officially begin 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 has called for public hearings and has indicated dates where these hearings will be held in Gauteng, Western Cape and Kwa Zulu Natal.

The Commission has 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 Commission requires the information as it would like to invite these businesses to attend and participate in the public hearings. Members were updated and requested to submit further comments and information.





ADVOCACY

The Commission sent an email stating that they were keen for SAPOA to attend a meeting and would be able to accommodate SAPOA on Wednesday 7 June 2017. SAPOA met with the Competition Commission on the 7 June 2017.

They are particularly interested to hear the views of SAPOA members who have properties in either the KZN or Gauteng provinces to make their submissions at the upcoming public hearings.

The Inquiry extended an invitation to register to those members of SAPOA that had not yet registered for the upcoming public hearings.

1.3 Massmart Complaint

Massmart decided to self-refer its complaint to the Competition Tribunal.

The matter of the exceptions raised by Pick'n Pay, Shoprite/Checkers and Spar was heard in July. SAPOA was cited as a respondent by virtue of its interest in the matter only. SAPOA was cited as a respondent for service of notice purposes and the question vis-à-vis SAPOA was whether service on SAPOA was due service on its members. With regards to the exceptions that were brought by Pick'n Pay, Shoprite and Spar the Tribunal's decision was that Massmart had to amend its complaint referral and the "Stay application" was not granted, and service on SAPOA was accepted as sufficient notice of service on its members. In summary, the parties and the Tribunal had agreed on a timetable for the filing of pleadings following the outcome of the interlocutory applications. Massmart was due to file its amended complaint referral.

It failed to meet the initial deadline and was given an extension by the Tribunal to file its amended complaint. It then requested a second extension during the holiday period (December). All of the parties agreed to this, but for Shoprite. Shoprite insisted that Massmart bring a formal condonation application for failure to meet the deadline. It was this hearing of the condonation that was held on the 21st February 2017. It was Shoprite alone that insisted that Massmart bring an application for condonation. The arguments were purely procedural in nature and no mention of the merits was made. As SAPOA had expected Massmart was successful in its application for condonation.

Massmart then proceeded with an amended referral, which was again the subject of a number of exceptions. This second exception hearing was heard during September 2017, when the Tribunal upheld the Retailers' exceptions and dismissed Massmart's complaint.

The basis for the Tribunal's decision given in February this year was essentially that Massmart failed to make out a cause of action in terms of section 5(1) which deals with vertical prohibited practices and lacked supplying sufficient material facts to substantiate its claim.

An interesting part of the Tribunal's conclusion was its view that a case under section 4(1) which deals with horizontal prohibited practices, might have been better suited to the macroscopic approach to the facts that Massmart had adopted in the referral.

The Tribunal considered finally if Massmart should be given another opportunity to amend its referral. Due to the fact that the Tribunal had given Massmart a second opportunity to amend its referral, the long time delays in this regard, the Tribunal held that there is little point in prolonging the matter further and the referral was dismissed.





ADVOCACY

One of the aspects being investigated by the Retail Market Inquiry is the anti-competitive effects and acceptability of the use of exclusive lease agreement in the retail sector. Based on the submissions made by stakeholders to the Retail Inquiry, it is unlikely that exclusive lease agreements will be either prohibited or allowed to be retained subject to conditions or some other form of restriction. It is therefore still not the end of the road for the use of exclusive lease agreements in the retail sector.

1.4 City of Tshwane Rates and Taxes

SAPOA raised a few key issues with the Mayor and the MMC of Tshwane that are a serious concern to members and have a dire negative consequence on the economy especially in Tshwane, namely the high rates tariffs in relation to other Municipalities; and the valuations of properties in Tshwane; It was noted that the tariff change in respect of rates and taxes in Tshwane has resulted in the charges being the highest in the country.

After two meetings with the MMC, SAPOA met with the MMC of Finance on 12 March 2018.

SAPOA indicated that it had commenced a pilot project with the City of Johannesburg regarding Self Determined Municipal Valuations and would like to make a presentation to the City. However, this would require a highly skilled valuation team that understands the various categories and how properties in the various categories have to be valued.

SAPOA highlighted that it was instrumental in introducing a rebate for high value properties in Polokwane. The rates policy was amended after consultation with the Mayor.

SAPOA made the following suggestions:

- That properties valued at R350m and higher be considered for this rebate.
- The ratio of the tariff between residential and commercial properties is currently 1.0:3.0 and the City should consider reducing the ratio. It was mentioned that when the Municipal Property Rates Act was drafted it was indicated that the ideal ratio is 1.0:2.0.
- It should be mentioned that there are a number of municipalities who have achieved this ratio, Cape Town is given as an example.
- Although it was indicated that a significant number of properties are undervalued. It was further highlighted that the high tariffs are a result of the low values and the City needs to ensure that this be addressed in the next valuation roll.

The MMC confirmed that the City will look at providing a rebate as a short-term solution. The valuations and the sub-categories cannot be undertaken in the short term, as categories have to be looked at holistically so that it benefits all and that Under-valuations must be addressed in the next valuation roll.





ADVOCACY

1.5 City of Cape Town Drought Charge

The City of Cape Town at the beginning of December 2017 called for comments on a monthly drought levy to residential and commercial property owners. With the water crisis in Cape Town, the City is not receiving the necessary income and to overcome this problem, the City wanted to impose a monthly drought levy.

The City proposed that the rate of the drought levy must be between 10-11% of the rates portion of the Municipal account. How the City determined this calculation is uncertain.

SAPOA submitted comments and strongly objected to the proposed drought charge. Looking at the level of the proposed drought charge and comparing this to the loss in water & sewerage revenue which the City claims is responsible for the funding shortfall, SAPOA has noted that the money to be raised by the drought charge seems to be significantly above the revenue loss associated with lower consumption of fresh water and sewerage services. SAPOA also highlighted the extensive water saving devices and plans that have been put in place by SAPOA members. In this regard SAPOA requested and received numerous examples from its members.

The current status is that the City Of Cape Town will not be proceeding with the intended drought charge but will be imposing heavy penalties on excess water usage.

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 s 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 s 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 s 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 understand that the Committee is looking at amending Chapter 6 of the Companies Act, exactly what the amendments will be we are not sure.





ADVOCACY

2.2 Property Practitioners Bill

SAPOA was informed by the EAAB in February that there was a current version of the Bill that they want to table in Cabinet. They state that this version of the Bill has met the criteria and has a Pre-Certification legal opinion to certify that this piece of legislation is desirable, legal and constitutional and will be Gazetted for comment.

The latest version of the Bill was published for comment on 31st March 2017. SAPOA instructed Cliffe Dekker Hofmeyr to prepare comments. The EAAB has asked for a meeting with SAPOA to go through the Bill. The meeting with the EAAB did not take place as SAPOA noted that none of its previous comments were taken into consideration. SAPOA submitted comments on 9th June 2017.

Except for the addition of the Ombud and the assessor the Bill remains in its original form. The Bill provides for Non-Director exemptions as this is an initiative that was undertaken by SAPOA in June 2016.

A letter advising the Speaker of Parliament about the introduction of the Bill to Parliament will be prepared and if the Speaker is in agreement the Bill will then be introduced to Parliament for debate. SAPOA will only have a chance to comment further when Parliament decides in its wisdom to open public hearings.

2.3 City of Cape Town Water Amendment Bill

The City of Cape Town released their draft Water By-Law on the 15 December 2017 with a closing date of the 8th January 2018. The notice and invitation for comments were issued at a time when the City knows full well that the property industry, and the city at large, has shut down for the festive season. The question is whether the City truly regards this as proper public participation, or is the City being disingenuous here to in trying to push this proposal through without proper participation.

SAPOA submitted comments on behalf of its members.

2.4 Carbon Tax Bill

SAPOA submitted comments and was invited by National Treasury to a workshop to understand how taxes will be recycled into the economy and what the impact thereof will be. National Treasury is at pains to indicate that the impact will be negligible on the economy.

The Department released the second draft of the Bill in February 2018 for comment. As a general comment SAPOA stated amongst others, that the carbon tax design is extremely complicated. The carbon tax calculations are very complicated with numerous tax-free allowances and effecting sectors differently. In addition, the inter-relationship between the mandatory reporting and carbon budgeting processes of Department of Environmental Affairs is not clear at this stage.

It is therefore the SAPOA's position that the imposition of the carbon tax is premature and should only be considered to be implemented after 2020.





ADVOCACY

3. STANDARDIZED LEGAL DOCUMENTS

3.1 POPI Manual including POPI workshops

3.2 FICA Manual including FICA workshops

3.3 Standard Lease Agreements

3.3 Practice Notes for Lease Agreements

3.4 The establishment of Utility Recovery Guidelines (on going)

4. 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, 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 in South Africa.

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



NETWORKING AND INDUSTRY PARTICIPATION

› CONVENTION STATISTICS (2013-2017)



PRESIDENT'S AND CEO'S REPORT



Mr. Neil Gopal
Chief Executive Officer
and Public Officer



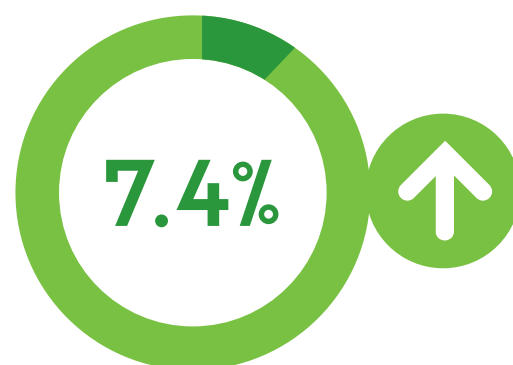
Mr. Peter Levett
President

Revenue for the 2017 year was R 38.9 million, down by 1.42% compared to 2016, while retained earnings increased by 7.4% to R12.7 million

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

- R 2.5 million towards the Property Sector Charter Council;
- R 600 thousand towards the establishment of the Green Building Council of SA;
- R 255 thousand towards the Business Against Crime initiative;
- R 1.7 million towards the SAPOA Busary Fund;
- R 1 million towards the industry Advocacy Fund;
- R 11.6 million spent since 2010 with regards to Advocacy
- R 10.5 million spent since 2010 with regards to Research

SAPOA has yet again received an unqualified audit from PwC.



Retained earnings
increased by 7.4%
to R 12.7 million

PRESIDENT'S AND CEO'S REPORT

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

R 2,500,000

towards the Property Sector
Charter Council

R 1,000,000

towards the industry
Advocacy Fund

R 600,000

towards the establishment of the
Green Buildings Council of SA

R 11,600,000

spent since 2010 with regards
to Advocacy

R 255,000

towards the Business Against
Crime initiative

R 10,500,000

spent since 2010 with regards
to Research

R 1,700,000

towards the Bursary Fund



INDEX



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

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

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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 2018 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.





DIRECTORS' RESPONSIBILITIES AND APPROVAL

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 32 to 33.

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 34 to 50, which have been prepared on the going concern basis, were approved by the board on **19 April 2018** and were signed on its behalf by:

Director

Director
PA Levett (President)

Director
NA Gopal (Chief Executive Officer)

DIRECTORS' REPORT



THE DIRECTORS SUBMIT THEIR REPORT FOR THE YEAR ENDED 31 DECEMBER 2017:

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 872,307 (2016: loss R 1,066,447).

3. DIRECTORS

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

Directors

PA Levett (President)
IN Mkhari (President Elect)
NNN Radebe (Immediate Past President)
NA Gopal (Chief Executive Officer)
Z Malinga
N Mashaba
GS Moseneke
DJ Green
JN Aling
JN Zidel
VW Hako
N Byrd
P Engelbrecht



DIRECTORS' REPORT



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.

6. DIRECTORS' INTERESTS IN CONTRACTS

No material contracts in which the directors have an interest were entered into in the current year, which might have a material impact on the reported results.

7. AUTHORISED AND ISSUED SHARE CAPITAL

The company has no share capital as it is a non-profit company in terms of the Companies Act of South Africa.

8. PUBLIC OFFICER

The company secretary is NA Gopal of:

Postal address

PO Box 78544
Sandton
2146

Business address

Paddock View Building
Hunts End Office Park
36 Wierda Road West
Wierda Valley
Sandton

9. SECRETARY

The secretary of the company is N.A. Gopal.

10. AUDITORS

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90 of the Companies Act of South Africa



BOARD OF DIRECTORS 2018



PETER LEVETT
SAPOA President
2017 - 2018
Managing Director
Old Mutual Property



IPELEENG MKHARI
SAPOA President Elect
Chief Executive Officer
Motseng Investment Holdings



NOMZAMO RADEBE
SAPOA Immediate
Past President
Chief Executive Officer
JHI Properties-A Division of
Cushman & Wakefield



NEIL GOPAL
Chief Executive Officer
SAPOA



ZOLA MALINGA
Co-founder & Executive Director
Jade Capital Partners



NOEL MASHABA
Executive Chairman
GladAfrica Group



DR SEDISE MOSENEKE
Executive Director
Vukile Property Fund



DAVID GREEN
Director
Proafrica Properties



JAMES ALING
Managing Director
Halls & Sons



JEFF ZIDEL
Deputy Chairman
Fortress Income Fund



VUYANI HAKO
Director
Public Investment
Corporation



**NNEMA BYRD
(Elected)**
Investment Principal
STANLIB Africa Direct
Property Development Fund



**PIETER ENGELBRECHT
(Elected)**
Head of Development
Growthpoint Properties



NATIONAL COUNCILLORS



PETER LEVETT

Managing Director: Old Mutual
Property
SAPOA President

BERNADET HARTLEY

Eris Property Group (Pty) Ltd
**HR, Education, Training &
Development Committee**

PIETER ENGELBRECHT

Head of Development Growthpoint
Properties
SAPOA Awards Committee

DESIREE NAFTE

Hyprop Investments Limited
Legal Committee

ELAINE WILSON

Broll Commercial Property
Services Company
SAPOA Research Committee

NEIL GOPAL

SAPOA
Chief Executive Officer

DAVID GREEN

Proafrica Properties
SAPOA Convention Committee

WARWICK LORD

Lords Properties
National Developers Forum

NICOLE BAUMGARTEN

Broll Property Group
**Property and Facilities
Management Committee**

NNEMA BYRD

Investment Principal, STANLIB
Africa Direct Property
Development Fund
SAPOA Elected National Councillor

LILIAN BARNARD

Metope Investment Managers
SAPOA REIT Committee

DR SEDISE MOSENEKE

Executive Director; Vukile
Property Fund
**SAPOA Government Liaison
Committee**

RENE STYBER

Rosh Pinah Properties
SAPOA Brokers Committee

WERNER MULDER

Attacq
SAPOA Sustainability Committee



REGIONAL COUNCILLORS

JOHAN BURGER
Independent Consultant
SAPOA East London
Regional Chairperson

EDWIN VAN NIEKERK
Maxprop
SAPOA KwaZulu-Natal
Regional Chairperson

PAUL ALTENROXELL
Knottrox Property Trust
SAPOA Limpopo
Regional Chairperson

MARK BAKKER
Bruce McWilliams Industries (Pty) Ltd
SAPOA Port Elizabeth
Regional Chairperson

MARLON PARRING
Par Brokage
SAPOA Western Cape
Regional Chairperson

JAMES ALING
Managing Director: HL Halls & Sons Ltd
SAPOA Mpumalanga
Regional Chairperson

HONORARY LIFE MEMBERS

MR BRIAN KIRCHMANN
MR AJ VAN RIET

INDEPENDENT AUDITOR'S REPORT

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 2017, 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 34 to 38 comprise:

- the statement of financial position as at 31 December 2017;
- 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 General Information, Directors' Responsibilities and Approval and Detailed Income Statement, 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.

INDEPENDENT AUDITOR'S REPORT

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.

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
19 April 2018



STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		2017	2016
	Notes	R	R
Assets			
Non-Current Assets			
Property, plant and equipment	2	1,435,878	1,097,499
Current Assets			
Inventories	3	44,205	48,203
Trade and other receivables	4	5,036,144	3,886,791
Cash and cash equivalents	5	17,424,297	17,573,885
		22,504,646	21,508,879
Total Assets		23,940,524	22,606,378
Equity and Liabilities			
Equity			
Retained income		12,678,920	11,806,613
Liabilities			
Current Liabilities			
Trade and other payables	6	5,718,678	4,295,319
Prepaid Subscriptions		5,542,926	6,504,446
		11,261,604	10,799,765
Total Equity and Liabilities		23,940,524	22,606,378



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2017	2016
		R	R
Revenue	7	38,892,257	39,452,838
Direct cost of revenue income	9	(19,506,918)	(22,447,388)
		19,385,339	17,005,450
Other income	8	540,621	623,985
Operating expenses	9	(20,423,829)	(19,911,182)
Operating loss		(497,869)	(2,281,747)
Finance income	10	1,370,176	1,215,300
		872,307	(1,066,447)
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		872,307	(1,066,447)



STATEMENT OF CHANGES IN EQUITY

	Retained income R	Total equity R
Balance at 1 January 2016	12,873,060	12,873,060
Loss for the year	(1,066,447)	(1,066,447)
Balance at 1 January 2017	11,806,613	11,806,613
Profit for the year	872,307	872,307
Balance at 31 December 2017	12,678,920	12,678,920





STATEMENT OF CASH FLOWS

	Notes	2017 R	2016 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) generated from operations	13	(423,352)	1,863,718
Finance income		1,370,176	1,215,300
Net cash from operating activities		946,824	3,079,018
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	2	(1,096,412)	(602,340)
Proceeds on sale of property, plant and equipment	2	-	1,800
Net cash from investing activities		(1,096,412)	(600,540)
Net increase in cash and cash equivalents for the year		(149,588)	2,478,478
Cash and cash equivalents at the beginning of the year		17,573,885	15,095,407
Cash and cash equivalents at end of the year	5	17,424,297	17,573,885

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.

ACCOUNTING POLICIES



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 armotised 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 thr effective interest method and is includes in finance costs. Borrowings are classified as current liabilities unless company has an unconditional right to defer settlement of the liability for atleast 12 months after the reporting date.

TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at the transaction price and subsequently measure 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.



ACCOUNTING POLICIES

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 and 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 other assets 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	6,667 years
Computer equipment	3 years
Leasehold improvements	5 years
Regalia	6,667 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.

ACCOUNTING POLICIES

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 finished goods and work in progress comprises packaging costs, other direct costs and related production overheads (based on normal operating capacity). 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.

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 flows (CGUs)

ACCOUNTING POLICIES



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. If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.7 SHARE CAPITAL AND EQUITY

If the company reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments. Consideration paid or received shall be recognised directly in equity.

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.



ACCOUNTING POLICIES

1.9 REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods or 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.



2 Property, plant and equipment

	2017 R			2016 R		
	Cost	2017 Accumulated depreciation and impairments	Carrying value	Cost	2016 Accumulated depreciation and impairments	Carrying value
Furniture and fixtures	817,623	(692,217)	125,406	816,045	(578,179)	237,866
Office equipment	303,333	(139,980)	163,353	282,411	(107,830)	174,581
Computer equipment	2,171,640	(1,099,455)	1,072,185	1,111,928	(656,312)	455,616
Leasehold improvements	817,298	(763,692)	53,606	817,298	(600,233)	217,065
Regalia	40,875	(19,547)	21,328	26,675	(14,304)	12,371
Total	4,150,769	(2,714,891)	1,435,878	3,054,357	(1,956,858)	1,097,499

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

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2016

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	248,122	99,547	(109,803)	237,866
Office equipment	76,526	117,869	(19,814)	174,581
Computer equipment	296,373	384,924	(225,681)	455,616
Leasehold improvements	380,525	-	(163,460)	217,065
Regalia	16,372	-	(4,001)	12,371
	1,017,918	602,340	(522,759)	1,097,499

The depreciation charged to the statement of profit or loss and other comprehensive income during the year amounted to R 758,033 (2016: R 522,759).

3 Inventories

Merchandise	44,205	48,203
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4 Trade and other receivables

Trade receivables	2,524,170	3,221,554
Provision for bad debts	(78,871)	(200,106)
Prepayments	2,590,845	865,343
	5,036,144	3,886,791

NOTES TO THE FINANCIAL STATEMENTS



5. Cash and cash equivalents	2017 R	2016 R
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash on hand	7,636	7,990
Bank balances	7,040,549	4,741,596
Short-term deposits	10,376,112	12,824,299
	17,424,297	17,573,885
6. Trade and other payables		
Trade payables	1,886,250	922,103
Amounts received in advance	449,597	840,679
Receiver of Revenue - Value Added Tax	1,685,299	979,448
Deferred lease liability	17,958	116,040
Accrued expense	1,679,574	1,437,049
	5,718,678	4,295,319
7. Revenue		
Other revenue	112,897	128,780
Educational activities	24,556,049	24,037,557
Publication revenue	2,282,543	3,789,290
Subscriptions	11,940,768	11,497,211
	38,892,257	39,452,838
8. Other income		
Profit and loss on sale of property, plant and equipment	-	1,800
Bad debt recovered	269,850	223,193
Other income	270,771	398,992
	540,621	623,985
9 Expense by nature		
Advertising	300,980	134,750
Auditors remuneration	181,970	188,129
Bad debts	410,077	467,367
Depreciation	758,033	522,759
Direct cost of revenue income	19,506,918	22,447,388
Employee costs (refer to note 11)	11,467,412	10,996,897
Lease rentals on operating lease	1,102,485	1,105,472
Legal expenses	853,267	920,375
Marketing	476,821	871,894
Other expenses	1,828,474	1,587,116
Planning and development expenses	551,813	468,674
Property charter contribution	283,100	283,100
Research	1,652,073	1,917,009
Travel	557,324	447,640
Total direct cost of revenue income, distribution costs and administrative expenses	39,930,747	42,358,570





10. Finance income

	2017 R	2016 R
Interest revenue		
Interest on short term bank deposits	1,370,176	1,215,300

11. Employee benefit expense

Basic salary	10,252,541	9,892,922
Pension and medical aid contributions	1,214,871	1,103,975
	11,467,412	10,996,897

12. Taxation

No provision has been made for 2017 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.

13. Cash (used in) generated from operations

Profit (loss) before taxation	872,307	(1,066,447)
Adjustments for:		
Depreciation	758,034	522,759
Profit on sale of assets	-	(1,800)
Finance income	(1,370,176)	(1,215,300)
Changes in working capital:		
Inventories	3,998	182,664
Trade and other receivables	(1,149,353)	1,471,437
Trade and other payables	1,423,358	95,105
Prepaid Subscriptions	(961,520)	1,875,300
	(423,352)	1,863,718

14. Commitments

OPERATING LEASES – AS LESSEE

Minimum lease payments due		
- within one year	1,002,217	891,739
- in second to fifth year inclusive	2,129,646	179,372
	3,131,863	1,071,111

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.



15. Directors' remuneration

2017
R

2016
R

EXECUTIVE

2017

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

2016

	Emoluments	Bonus and other	Pension	Total
Executive Director Remuneration	1,609,853	500,000	304,846	2,414,699

16. Related parties

RELATIONSHIPS

Director with significant influence in the following entity :
(NA Gopal and NNN Radebe are directors of SAPOA NPC and trustees of SAPOA Bursary Fund Trust)

SAPOA Bursary Fund Trust

DIRECTORS:

PA Levett (President)
IN Mkhari (President Elect)
NNN Radebe (Immediate Past President)
NA Gopal (Chief Executive Officer)
Z Malinga
N Mashaba
GS Moseneke
DJ Green
JN Aling
JN Zidel
VW Hako
N Byrd
P Engelbrecht

RELATED PARTY BALANCES AND TRANSACTIONS WITH OTHER RELATED PARTIES

Related party transactions

REIMBURSEMENTS RECEIVED FROM RELATED PARTY

SAPOA Bursary Fund Trust	44,605	-
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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 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.





19. Financial instruments by category

	2017 R		2016 R
2017	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Trade and other payables	-	(5,685,769)	(5,685,769)
Prepaid subscriptions	-	(5,542,926)	(5,542,926)
Trade and other receivables	2,445,299	-	2,445,299
Cash and cash equivalents	17,424,296	-	17,424,296
	19,869,595	(11,228,695)	8,640,900
2016	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Trade and other payables	-	(4,295,319)	(4,295,319)
Prepaid subscriptions	-	(6,504,446)	(6,504,446)
Trade and other receivables	3,021,448	-	3,021,448
Cash and cash equivalents	17,573,885	-	17,573,885
	20,595,333	(10,799,765)	9,795,568

DETAILED INCOME STATEMENT



	Notes	2017 R	2016 R
REVENUE			
Other revenue		112,897	128,780
Educational activities		24,556,049	24,037,557
Subscriptions		11,940,768	11,497,211
Magazine revenue		2,282,543	3,789,289
	7	38,892,257	39,452,837
DIRECT COST OF REVENUE INCOME			
Educational activities		(48,203)	(19,510,875)
Advocacy fund		(19,502,920)	-
Magazine		44,205	(2,649,934)
Other cost of revenue		-	(286,579)
		(19,506,918)	(22,447,388)
Gross profit		19,385,339	17,005,449
OTHER INCOME			
Bad debt - recovered		269,850	223,193
Gains on disposal of assets		-	1,800
Interest received	10	1,370,176	1,215,300
Other income		270,771	398,992
		1,910,797	1,839,285
Expenses (Refer to page 24)		(20,423,829)	(19,911,182)
Profit (loss) for the year		872,307	(1,066,448)



DETAILED INCOME STATEMENT



	Notes	2017 R	2016 R
OPERATING EXPENSES			
Advertising		300,980	134,750
Auditors remuneration		181,970	188,129
Bad debts		410,077	467,367
Bank charges		28,556	25,781
Committee meetings		120,120	191,716
Computer expenses		213,766	129,690
Consulting and professional fees		204,798	58,363
Depreciation		758,033	522,759
Employee costs		11,556,097	10,996,897
General expense		258,833	211,478
Insurance		125,199	107,034
Internet		56,750	43,363
Lease rentals on operating lease		1,102,485	1,105,472
Legal expenses		853,267	920,375
Marketing		476,821	871,894
Planning and development expenses		551,813	468,674
Postage		52,796	164,224
Printing and stationery		113,066	130,636
Property Charter contribution		283,100	283,100
Public relations		92,596	112,603
Publication subscriptions		2,939	11,035
Repairs and maintenance		25,198	42,611
Research and development costs		1,652,073	1,917,009
Staff training		209,581	140,452
Subscriptions		76,778	70,227
Telephone and fax		136,415	121,273
Travel - local		260,840	237,390
Travel - overseas		296,484	210,250
Workmen's compensation		22,398	26,630
		20,423,829	19,911,182



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