ANNUAL FINANCIAL STATEMENTS 2019

General information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The Payments Association of South Africa (PASA) was established with the objective to organise, manage and regulate all matters affecting interbank payments and payments clearing and settlement of interbank obligations within the payment system and operates in South Africa.

Registered office

1st Floor, Building D
Sunnyside Office Park
32 Princess of Wales Terrace
Parktown, 2193

Business address

1st Floor, Building D
Sunnyside Office Park
32 Princess of Wales Terrace
Parktown, 2193

Postal address

P.O. Box 61380
Marshalltown, 2107

Bankers

First National Bank Limited

Auditors

SizweNtsalubaGobodo Grant Thornton Inc.
Chartered Accountants (SA)
Registered Auditors
Member of Grant Thornton International

PASA Secretary

Helen Peace

Level of assurance

These annual financial statements have been audited in compliance with the applicable requirements of PASA Constitution.

Preparer

The annual financial statements were independently compiled by DTP Consulting and Accounting (Pty) Ltd.

Contents

The reports and statements set out below comprise the annual financial statements presented to the Members.

INDEPENDENT AUDITORS' REPORT

To the Members of the Payments Association of South Africa (NPO) (PASA)

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of PASA set out on pages 6 to 19, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of PASA as at 31 December 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the requirements of PASA Constitution.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the annual financial statements section of our report. We are independent of the organisation in accordance with sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (revised November 2018) (together the IRBA codes) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA codes are consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

PASA Council is responsible for the other information. The other information comprises the information included in the document titled "The Payments Association of South Africa (NPO) (PASA) annual financial statements for the year ended 31 December 2019", which includes PASA Council's report as required by PASA Constitution. Other information does not include the annual financial statements and our auditors' report thereon.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Members for the annual financial statements

PASA Council is responsible for the preparation and fair presentation of the annual financial statements in accordance with IFRS for SMEs and the requirements of PASA Constitution, and for such internal control as PASA Council determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, PASA Council is responsible for assessing the association'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 Councillors either intend to liquidate PASA or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing 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 annual financial statements.

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

- identify and assess the risks of material misstatement of the annual 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 association's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors;
- conclude on the appropriateness of PASA Council's 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 association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual 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 auditors' report, however, future events or conditions may cause the association to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with PASA Council 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.

NC Kyriacou
SizweNtsalubaGobodo Grant Thornton Inc.
Director
Registered Auditor
19 March 2020

Building 4, Summit Place
221 Garstfontein Road
Menlyn
0181

THE GOVERNING BODY OF PASA, PASA COUNCIL'S RESPONSIBILITIES AND APPROVAL

PASA Council is required by PASA Constitution to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is PASA Council's responsibility to ensure that the annual financial statements fairly present the state of affairs of PASA 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 IFRS for SMEs. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS for SMEs and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

PASA Council is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

PASA Council has reviewed the association's budget for the year to 31 December 2020 and, in light of this review and the current financial position, it is satisfied that the association has 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 association's annual financial statements. The annual financial statements have been examined by the association's external auditors and their report is presented on pages 2 to 3.

The annual financial statements set out on pages 6 to 19, which have been prepared on the going concern basis, were approved by PASA Council on 19 March 2020 and were signed on its behalf by:

Sydney Gericke
Chair

Walter Volker
Chief Executive Officer (CEO)

THE GOVERNING BODY OF PASA, PASA COUNCIL'S REPORT

PASA Council takes pleasure in submitting its report on the annual financial statements.

1. Nature of business

PASA was established in South Africa to act in the interests of the National Payment System. PASA was established with the primary objective to organise, manage and regulate all matters affecting interbank payments and payments clearing and settlement of interbank obligations within the payment system. The association operates in South Africa.

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

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with IFRS for SMEs and the requirements of PASA Constitution. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the association are set out in these annual financial statements.

3. PASA Council

Chairperson

Sydney Gericke (Independent Chairperson)

Ingrid Goodspeed (Independent Deputy Chairperson)

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

Principal Councillor	Alternate Councillor
Hendrik Pelser	Gabriella Teixeira
Jill Murtagh	Frederik Hanekom
Dirk Ehlers	Marthinus Janse van Rensburg
Megan Brown	Kenneth Mathole
Rufaida Ismail	John Elliot
Ian Carter	Marijke Guest
Tim Masela	Shaun Rayfield
John Anderson	
Walter Volker (Ex Officio: voting)	

4. Events after the reporting period

PASA Council is not aware of any material event that occurred after the reporting date and up to the date of this report. PASA Council draws attention to note 21 which highlights the following two post-balance sheet events:

- The payments into the Sanlam Glacier Fund in terms of the long-term incentive scheme were made on 10 January 2020.
- The biannual PASA International Payments Conference (PIPC) that was due to take place in July 2020 is going to have to be postponed or cancelled due to the worldwide outbreak of the coronavirus, COVID-19. Negotiations with presenters, venues and other affected suppliers are ongoing regarding the potential postponement/cancellation so it is not possible to definitively quantify the exact amount of the costs associated with the postponement/ cancellation of the conference. The amount disclosed in note 21 is the expected maximum that PASA will be exposed to if the conference is cancelled.

5. Going concern

PASA Council believes that PASA has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. PASA Council has satisfied itself that PASA is in a sound financial position and capable of meeting its foreseeable cash requirements. PASA Council is not aware of any new material changes that may adversely impact the association. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect PASA.

6. PASA Secretary

PASA's Secretary is Helen Peace.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note(s)	2019 R	2018 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	**2 972 968**	1 407 185
Other financial assets	3	**4 552 069**	5 797 166
		7 525 037	7 204 351
Current assets			
Trade and other receivables	4	**8 310 245**	10 056 263
Other financial assets	3	**1 986 096**	558 465
Cash and cash equivalents	5	**37 485 366**	30 688 523
		47 781 707	41 303 251
Total assets		**55 306 744**	48 507 602
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		**31 698 978**	20 788 348
Liabilities			
Non-current liabilities			
Other financial liabilities	7	**7 164 437**	5 797 166
Current liabilities			
Trade and other payables	6	**8 604 995**	7 052 640
Other financial liabilities	7	**734 625**	558 465
Deferred income	8	**7 103 709**	14 310 983
		16 443 329	21 922 088
Total liabilities		**23 607 766**	27 719 254
Total equity and liabilities		**55 306 744**	48 507 602

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note(s)	2019 R	2018 R
Revenue	9	**81 570 309**	61 236 543
Other income	10	**12 739 731**	9 695 551
Operating expenses		**(88 157 938)**	(73 527 550)
Operating surplus/(deficit)	11	**6 152 102**	(2 595 456)
Investment revenue	12	**5 021 479**	3 741 793
Fair value adjustments	13	**(203 062)**	(271 125)
Finance costs	14	**(59 889)**	(80 981)
Surplus for the year		**10 910 630**	794 231

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Accumulated funds R	Total equity R
Balance at 1 January 2018	19 994 117	19 994 117
Surplus for the year	794 231	794 231
Balance at 1 January 2019	**20 788 348**	**20 788 348**
Surplus for the year	**10 910 630**	**10 910 630**
Balance at 31 December 2019	**31 698 978**	**31 698 978**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2019

	Note(s)	2019 R	2018 R
Cash flows from operating activities			
Cash generated/(used in) from operations	17	**3 301 234**	(5 038 438)
Interest income		**4 728 632**	3 741 793
Finance costs		**(59 889)**	(80 981)
Net cash from operating activities		**7 969 977**	(1 377 626)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	**(2 330 968)**	(320 787)
Sale of property, plant and equipment	2	**–**	3 344
Movement in financial assets		**(385 596)**	(2 345 103)
Net cash used in investing activities		**(2 716 564)**	(2 662 546)
Cash flows from financing activities			
Movement in financial liability		**1 543 430**	2 878 213
Net cash from financing activities		**1 543 430**	2 878 213
Total cash movement for the year		**6 796 843**	(1 161 959)
Cash at the beginning of the year		**30 688 523**	31 850 482
Total cash at end of the year	5	**37 485 366**	30 688 523

ACCOUNTING POLICIES

1. Basis of preparation and summary of significant accounting policies

The annual financial statements have been prepared on a going concern basis in accordance with IFRS for SMEs and PASA Constitution. The annual 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 Rand.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are initially measured at cost.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company.

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

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	5 years
Information technology equipment	Straight line	4 years
Office equipment	Straight line	5 years
Security equipment	Straight line	5 years

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount.

When indicators are present that the useful lives and residual values of items of property, plant and equipment have changed since the most recent annual reporting date, they are reassessed. Any changes are accounted for prospectively as a change in accounting estimate.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.2 Financial instruments

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments that meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments that 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.

Financial instruments at fair value

All other financial instruments, including equity instruments that are publicly traded or whose fair value can otherwise be measured reliably, without undue cost or effort, are measured at fair value through profit and loss.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

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.

1.4 Impairment of assets

PASA assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

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.

1.5 Long-term incentive scheme

Incentive bonuses for key management are recognised as a long-term investment on grant date with 66% vesting after three years and the balance vesting after five years from grant date. A corresponding increase in liabilities is recognised over the vesting period.

The corresponding increase in liabilities is measured, directly, at the fair value of the investment recognised provided that the fair value can be estimated reliably.

The long-term incentive payments granted do not vest until the counterparty completes a specified period of service.

The long-term investment payments vest immediately when the employees resign, and the investment is recognised in full as a long-term investment for PASA.

1.6 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.

1.7 Provisions and contingencies

Provisions are recognised when PASA has an obligation at the reporting date as a result of a past event it is probable that PASA will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.8 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for services provided in the normal course of business, net of value added tax (VAT).

Revenue compromises net contributions from Members for Payment Clearing House and PASA Membership fees in terms of PASA Constitution. All contributions in excess of expenditure to be incurred in the specific financial period are refunded by means of a rebate in subsequent financial periods.

Revenue is recognised in the income statement in proportion to the period to which membership fees relate.

Special project fee income is recognised in the income statement in proportion to the expenses incurred in terms of the specific project. The excess income received is recognised as deferred income for as long as the project is still ongoing.

All non-compliance penalty income is ringfenced and only allowed to be utilised for training and education and capacity building, research, investigation and work relating to risk management and emerging technologies. The excess income received is recognised as deferred income for all future periods.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2019

2. Property, plant and equipment

	2019 Cost or revaluation R	2019 Accumulated depreciation R	2019 Carrying value R	2018 Cost or revaluation R	2018 Accumulated depreciation R	2018 Carrying value R
Furniture and fixtures	**1 604 040**	**(455 622)**	**1 148 418**	637 449	(255 381)	382 068
Information technology equipment	**2 006 236**	**(1 046 327)**	**959 909**	1 703 777	(877 134)	826 643
Office equipment	**1 059 851**	**(296 366)**	**763 485**	401 678	(203 854)	197 824
Security equipment	**137 817**	**(36 661)**	**101 156**	32 804	(32 154)	650
Total	**4 807 944**	**(1 834 976)**	**2 972 968**	2 775 708	(1 368 523)	1 407 185

Reconciliation of property, plant and equipment

	Opening balance R	Additions R	Disposals R	Depreciation R	Closing balance R
2018					
Furniture and fixtures	427 609	72 617	(3 344)	(114 814)	382 068
Information technology equipment	954 976	207 482	–	(335 815)	826 643
Office equipment	216 973	40 688	–	(59 837)	197 824
Security equipment	650	–	–	–	650
	1 600 208	320 787	(3 344)	(510 466)	1 407 185
2019					
Furniture and fixtures	**382 068**	**966 591**	**–**	**(200 241)**	**1 148 418**
Information technology equipment	**826 643**	**532 009**	**–**	**(398 743)**	**959 909**
Office equipment	**197 824**	**727 356**	**–**	**(161 695)**	**763 485**
Security equipment	**650**	**105 012**	**–**	**(4 506)**	**101 156**
	1 407 185	**2 330 968**	**–**	**(765 185)**	**2 972 968**

3. Other financial assets

	2019 R	2018 R
At fair value		
Glacier Investment Plan – PASA	**1 251 471**	–
Glacier Investment Plan – vested portion	**734 625**	558 465
Glacier Investment Plan – non-vested portion	**4 552 069**	5 797 166
	6 538 165	6 355 631
Non-current assets		
Designated at fair value through profit/(loss)	**4 552 069**	5 797 166
Current assets		
Designated at fair value through profit/(loss)	**1 986 096**	558 465
	6 538 165	6 355 631

Fair value information

Financial assets at fair value through profit or loss are recognised at fair value, which is therefore equal to their carrying amounts.

Glacier Investment Plan – PASA

The investment consists of incentive bonuses forfeited by employees who have resigned before the vesting period ended.

Glacier Investment Plan – vested portion

The investment consists of incentive bonuses vested and which are payable to the employees.

Glacier Investment Plan – non-vested portion

The investment consists of incentive bonuses granted to key management which have not yet vested in the current period.

Long-term incentive scheme

The long-term incentive scheme provides for incentive bonuses to key management. 66% of the bonus allocation vests three years after the grant date and the balance vests five years after the grant date. Payment is made to employees immediately after vesting date. Furthermore, the allocation is forfeited if the employee leaves the entity before vesting and when the employee forfeited the allocation, the amount vests as an investment for PASA.

	2019 R	2018 R
4. Trade and other receivables		
Trade receivables	**7 746 488**	9 912 452
Less: Provision for doubtful debts	**(500 000)**	–
Tenant deposits	**–**	103 811
Employee loans	**2 400**	40 000
VAT	**1 061 357**	
	8 310 245	10 056 263
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	**880 690**	28 846 356
Short-term deposits	**3 111 804**	1 844 980
Medium-term deposits	**33 497 793**	–
Other cash and cash equivalents	**(4 921)**	(2 813)
	37 485 366	30 688 523
6. Trade and other payables		
Trade payables	**71 566**	230 904
VAT	**–**	154 488
Accrued leave pay	**1 737 828**	1 926 077
Accrued expense	**1 470 740**	1 003 554
Deposits received	**32 200**	26 266
Other payables – pension fund	**492 390**	–
Other payables – cheque standards authority	**104 476**	138 651
Other payables – Pay-As-You-Earn, salaries and wages	**4 695 795**	3 572 700
	8 604 995	7 052 640

7. Other financial liabilities

	2019 R	2018 R
At fair value		
Long-term incentive scheme – vested portion	734 625	558 465
Long-term incentive scheme – non-vested portion	7 164 437	5 797 166
	7 899 062	6 355 631
Non-current liabilities		
At fair value	7 164 437	5 797 166
Current liabilities		
At fair value	734 625	558 465
	7 899 062	6 355 631

Long-term incentive scheme – vested portion

The liability consists of the vested portion of the long-term incentive scheme which is payable to the key members of management for an incentive bonus. The liability is recognised as the fair value of the investment it relates to. Refer to other financial assets for more details regarding the investments.

Long-term incentive scheme – non-vested portion

This liability consists of the non-vested portions of the long-term incentive scheme which is payable to the key members of management for an incentive bonus. The liability is recognised as the present value of the amounts payable to the employees in future.

The fair values of the financial liabilities were determined as follows

Expected volatility: Volatility was estimated using historical returns data. The asset allocation of the portfolio was used to compute portfolio historical returns which were then used to compute historical volatility.

Expected life: 50% after three years from grant date, and the balance after five years from grant date.

Risk free rate: The zero-coupon bond curve interest rate was used for each grant date in determining this rate.

Resignation rates: It was assumed that senior personnel qualifying for this scheme have lower resignation rates and therefore an annual resignation rate of 0% was assumed.

8. Deferred income

	2019 R	2018 R
Special project training – non-compliance	**5 221 823**	11 966 281
Special project industry training	**1 881 886**	2 233 589
PASA International Payments Conference	**–**	111 113
	7 103 709	14 310 983

Deferred income – training

In terms of a PASA Council meeting held during the 2014 financial period, all non-compliance penalty income should be utilised specifically for industry training purposes. This resulted in deferred income – training which is ringfenced for use by PASA in the course of normal business operations. The total penalty income for the period not utilised in terms of training was transferred to deferred income. The amount deferred is R7 103 709 (2018: R11 966 281).

9. Revenue

	2019 R	2018 R
Member contribution	**84 756 714**	69 068 034
Reduction of Member contributions	**(3 186 405)**	(7 831 491)
	81 750 309	61 236 543

Membership contributions

In accordance with PASA Constitution all income and assets of PASA, however derived, shall be applied wholly towards the promotion of the objectives of PASA. No portion of the income and assets is transferrable, directly or indirectly to the Members except by way of a reduction which may be granted in respect of the whole or a portion of the subscription in any financial period. Such a reduction shall be applied in reduction of Members' subscriptions for the following financial period. During the reporting period, the Council granted a reduction of Rnil (2018: R3 186 406).

10. Other income

	2019 R	2018 R
Other income	**138 713**	202 165
Payment Clearing House agreements and membership	**7 000**	32 000
Special projects	**11 960 018**	8 918 136
System operator authorisation	**634 000**	543 250
	12 739 731	9 695 551

	2019 R	2018 R
11. Operating surplus/(deficit)		
Operating surplus/(deficit) for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
– Contractual amounts	**3 178 815**	2 633 712
Property, plant and equipment		
– Contractual amounts	**559 962**	531 739
	3 738 777	3 165 451
Depreciation on property, plant and equipment	**765 185**	510 466
Employee costs	**50 966 430**	41 728 014
12. Investment revenue		
Interest revenue		
Other financial assets	**292 847**	161 575
Interest received	**4 728 632**	3 580 218
	5 021 479	3 741 793
13. Fair value adjustments		
Other financial assets	**(203 062)**	(271 125)
14. Finance costs		
South African Revenue Service	**59 889**	80 981

15. Taxation

PASA is exempt from income tax under Section 10(1)(cA)(i) of the Income Tax Act, 58 of 1962. PASA needs to comply with requirements annually to retain its exempt status.

	2019 R	2018 R
16. Auditors' remuneration		
Audit fees	**95 450**	64 000
Other	**21 415**	35 128
	116 865	99 128

	2019 R	2018 R
17. Cash generated/(used in) from operations		
Surplus for the year	**10 910 630**	794 231
Adjustments for:		
Depreciation	**765 185**	510 466
Bad debt provision	**500 000**	–
Interest received	**(4 728 632)**	(3 741 793)
Finance costs	**59 889**	80 981
Fair value adjustments	**203 062**	271 125
Changes in working capital:		
Trade and other receivables	**1 246 018**	(4 577 908)
Trade and other payables	**1 552 355**	1 092 273
Deferred income	**(7 207 273)**	532 187
	3 301 234	(5 038 438)
18. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– Within one year	**3 115 950**	1 093 301
– In second to fifth year inclusive	**11 918 660**	169 172
	15 034 610	1 262 473
19. Related parties		
Related-party balances and transactions with other related parties		
Related-party transactions		
Purchases from related parties		
Veritas Books	**128 952**	131 996

20. Members of key management

Walter Volker (CEO)
Maurits Pretorius (Executive of Strategy and Communications)
Pierre Coetzee (Executive of Payment Regulations)
Naniki Ramabi (CRO)

	2019 R	2018 R
Compensation paid to key management		
– Key management remuneration	**11 745 484**	12 176 185

21. Post-balance sheet event

On 10 January 2020, payments totalling R2 612 368 were made to the Glacier Investment Plan in terms of the long-term incentive awards made to qualifying PASA employees in December 2019. These payments will have the effect of increasing the financial asset referred to in note 3 by the same amount. As PASA had the obligation to make these long-term incentive payments, the expense and resulting liability have already been recognised in these financial statements.

PIPC that was due to take place in July 2020 is likely to be postponed or cancelled due to the outbreak of COVID-19. The expected maximum that PASA will be exposed to if the conference is cancelled is:

	R
Maximum potential exposure	
– Prepaid expenses already incurred as at 31 December 2019	**392 185**
– Expenses incurred 1 January 2020 to date of the annual financial statements	703 815
– Potential cancellation costs – estimated	530 000
	1 626 000

NOTES

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