



PASA

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

GENERAL INFORMATION

Country of incorporation and domicile

South Africa

Nature of business and principal activities

The Payments Association of South Africa 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 payments 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 Ltd

Auditors

Moore Infinity Incorporated
Chartered Accountants (SA)
Registered Auditors
Partner: B Wilters CA(SA) RA

Company 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

Date issued

11 May 2023

Tax Reference

9036/767/19/3

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

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PASA COUNCIL'S RESPONSIBILITIES AND APPROVAL

The Governing Body of PASA, PASA Council is required by the 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 their 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 the International Financial Reporting Standard for Small and Medium-sized Entities and the Constitution of PASA. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

PASA Council acknowledges that they are ultimately responsible for the system of internal financial controls 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. Risk management in PASA focuses 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 controls provide 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 2023 and, in the light of this review and the current financial position, they are 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 3 to 4.

The annual financial statements set out on pages 6 to 18, which have been prepared on the going concern basis, were approved by PASA Council on 11 May 2023 and were signed on their behalf by:



Sydney Gericke
Chairperson



Ghita Erling
CEO

INDEPENDENT AUDITOR'S REPORT

To the Council of The Payment Association of South Africa (PASA Council)

Report on the Audit of the Financial Statements

Opinion

We have audited the Financial Statements of PASA set out on pages 6 to 18, which comprise the Statement of Financial Position as at 31 December 2022, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, the Financial Statements present fairly, in all material respects, the financial position of PASA as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the association 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 Payment Association of South Africa Annual Financial Statements for the year ended 31 December 2022", which includes PASA Council's Report as required by the Constitution, the Supplementary Information Note 1: Deferred income analysis, which we obtained prior to the date of this report. The 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 and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of PASA Council for the Financial Statements

PASA Council is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards and the requirements of the constitution, and for such internal control as PASA Council determines 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, 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 PASA Council either intend to liquidate the association 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 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 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 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 PASA Council.

- › 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 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 association 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 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.

Moore Infinity Inc.

Moore Infinity Inc. (Formerly named PKF Octagon until 1 January 2023)
Director: B Wilters CA(SA)
Registered Auditor
11 May 2023
Johannesburg

PASA COUNCIL'S REPORT

PASA Council has pleasure in submitting their report on the annual financial statements.

1. Nature of business

PASA was established in accordance with the terms and provisions of its Constitution, on 15 August 1996, by the South African Banking Industry, in conjunction with the South African Reserve Bank, to act in the interests of the National Payment System (NPS) with the primary objective to organise, manage and regulate all matters affecting interbank payments and payments clearing and settlement of interbank obligations within the NPS. 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 the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the 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

The Independent Councillors in office during 2022 are as follows:

- › Sydney Gericke (Independent Chair)
- › Ingrid Goodspeed (Independent Deputy Chair)
- › Herman Singh (Independent Councillor)

The Member elected Councillors in office during 2022 are as follows:

Principal Councillor	Alternate Councillor
John Anderson	Rufaída Hamilton (appointed as alternate September 2022)
Megan Brown	
Ian Carter	Marijke Guest
Matthew Coaker (resigned February 2022)	Marthinus Janse van Rensburg
Busi Radebe (appointed May 2022)	
Ghita Erling (ex-officio: voting)	
Rufaída Hamilton (Resigned as principal June 2022)	Gerald Byleveld (appointed as principal September 2022)
John Elliot (took over as principal in June 2022)	
Tim Masela (ex-officio: non-voting)	Shaun Rayfield (ex officio: non-voting)
Jill Murtagh	Frederick Hanekom (resigned June 2022)
	Nolwazi Dlamini (appointed June 2022)
Charl Smedley	Gabriella Teixeira

4. Significant Matters

PASA submitted a report to the SARB outlining the industry-approved design for a new entity, for now called the Payments Industry Body (PIB). The key purpose of the PIB will be to ensure the maintenance of the interoperability of the National Payment System, through collaboration and cooperation among all participants in the payments landscape. The PIB will ultimately replace PASA, which will result in the transfer of PASA resources to the PIB, BankservAfrica and the SARB. The implementation of the PIB is currently in planning phase while the SARB's "no objection" to the design is being sought. Transition is due to commence only after approval of the design, and once SARB and PASA Council are comfortable with the transition plan. In the interim, PASA continues to operate as required by the National Payment System Act and its Constitution.

5. Events after the reporting period

PASA Council is not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Going concern

The Annual Financial Statements have been prepared on the going concern basis. 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 themselves that PASA is in a sound financial position and capable of meeting its foreseeable cash requirements. PASA Council has considered the impending legislative changes relating to regulatory reform in the NPS Act and the potential transition to the PIB on the promulgation of the COFI Bill (and consequential amendments to the NPS Act) and we are of the view that it does not have an adverse impact on PASA's going concern. PASA Council notes, however, that a consequence of these changes is that PASA will ultimately stop operating and be dissolved. It is not anticipated that the dissolution of PASA will take place in the coming reporting period. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements.

7. Company Secretary

PASA's Company Secretary for the period under review is Helen Peace.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

	Notes	2022 R	2021 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	1 920 816	1 771 102
Software developed in-house	3	926 153	–
Other financial assets	4	26 907 610	12 904 357
		29 754 579	14 675 459
Current Assets			
Trade and other receivables	5	2 992 231	9 095 634
Other financial assets	4	1 833 963	2 406 858
Cash and cash equivalents	6	34 945 003	27 732 898
		39 771 197	39 235 390
Total Assets		69 525 776	53 910 849
Equity and Liabilities			
Equity			
Accumulated funds		22 437 055	20 514 970
Liabilities			
Non-Current Liabilities			
Other financial liabilities	8	28 407 610	12 904 357
Current Liabilities			
Trade and other payables	7	8 598 804	14 631 146
Other financial liabilities	8	1 833 963	1 215 459
Deferred income	9	8 248 344	4 644 917
		18 681 111	20 491 522
Total Liabilities		47 088 721	33 395 879
Total Equity and Liabilities		69 525 776	53 910 849

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2022

	Notes	2022 R	2021 R
Revenue	10	118 058 574	81 806 062
Other income	11	1 206 906	1 444 723
Operating expenses		(121 819 174)	(104 870 820)
Operating deficit	12	(2 553 694)	(21 620 035)
Investment revenue	13	4 498 279	2 349 120
Loss on sale of fixed assets		(22 500)	(19 086)
Surplus/(Deficit) for the year		1 922 085	(19 290 001)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2022

	Accumulated funds R	Total equity R
Balance at 01 January 2021	39 804 971	39 804 971
Loss for the year	(19 290 001)	(19 290 001)
Balance at 01 January 2022	20 514 970	20 514 970
Surplus for the year	1 922 085	1 922 085
Balance at 31 December 2022	22 437 055	22 437 055

STATEMENT OF CASH FLOWS

for the year ended 31 December 2022

	Notes	2022 R	2021 R
Cash flows from operating activities			
Cash generated from/(utilised by) operations	16	17 879 790	(15 485 650)
Interest income		4 498 279	2 217 728
Net cash from operating activities		22 378 069	(13 267 922)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1 069 580)	(261 572)
Acquisition of investments		(14 569 892)	(4 825 802)
Acquisition of software developed in-house		(926 153)	–
Disposal of property, plant and equipment		32 835	–
Withdrawal of investments		1 366 826	675 806
Net cash used in investing activities		(15 165 964)	(4 411 568)
Total cash movement for the year		7 212 105	(17 679 490)
Cash at the beginning of the year		27 732 898	45 412 388
Total cash at end of the year	6	34 945 003	27 732 898

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 the International Financial Reporting Standard for Small and Medium-sized Entities, 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 Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment are tangible assets which the organisation holds for its own use which are expected to be used for more than one period. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the organisation, and the cost of the item can be measured reliably. Property, plant and equipment is initially measured at cost. An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the organisation, and the cost of the item can be measured reliably. Property, plant and equipment is 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 organisation. The depreciation charge for each period is recognised in profit or loss.

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
IT 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. 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. Basis of preparation and summary of significant accounting policies (continued)

1.2 Intangible assets (software developed in-house)

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are initially recognised at cost and subsequently at cost less accumulated amortisation and accumulated impairment losses.

Research and development costs are recognised as an expense in the period incurred.

In cases where management is unable to make a reliable estimate of the useful life of an intangible asset, its best estimate is applied, limited to 10 years. As the asset is not brought into use, no amortisation was recognised in the current year.

The residual value, amortisation period and amortisation method for intangible assets are reassessed when there is an indication that there is a change from the previous estimate.

1.3 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, trade payables and cash and cash equivalents. Those debt instruments which meet the criteria in section 11.8(b) of the standard, 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.

Provision for bad and doubtful debts

Receivables that are considered irrecoverable or doubtful are written off or provided for in full or in part according to the policy for doubtful and bad debts. Debtors outstanding for more than 180 days are written off or provided for in full.

Write-offs or provisions are recognised in the Income Statement or Deferred Income depending on where the income was originally recognised. Any future recoveries against these receivables or provisions will result in the income or deferred income being recognised again.

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.

Long-Term Incentive Scheme (LTI)

Refer to Note 4 for details on the Long-Term Incentive Scheme.

1. Basis of preparation and summary of significant accounting policies (continued)

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. 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.

1.5 Impairment of assets

PASA assesses, at each reporting date, whether there is any indication that property, plant and equipment or intangible assets 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 related assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

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 pre-tax 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.

Revenue comprises of net contributions from Members for Payment Clearing House agreements and membership, System Operator activations and annual renewals and PASA Membership subscriptions in terms of the PASA Constitution.

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

1. Basis of preparation and summary of significant accounting policies (continued)

1.9 Other income

Training income is recognised as other income in the income statement in proportion to the expenses incurred in providing training to PASA Members and non-Members. Excess income received is recognised as deferred income for all future periods.

Non-compliance penalty income is recognised as other income in the income statement in proportion to the expenses incurred. The excess income received is recognised as deferred income for all future periods.

Conference income is recognised as other income in the income statement in proportion to the expenses incurred in providing the conferences to PASA Members and non-Members. Excess income received is recognised as deferred income.

The total non-compliance penalty, training and conference net income for the period is transferred to deferred income. A summary of the movements in the deferred income balances is reflected in the Supplementary Note of these annual financial statements.

PASA Council determined that a holistic approach to the utilisation of the Deferred Income Reserves (including all three income streams; non-compliance penalties, training and conferencing) be adopted. The Deferred Income Reserves can only be used for the purposes of:

- › Capacity building, education and training, including the appointment of interns to undergo payments training for a stipulated period;
- › Research on matters such as new or emerging technologies, Modernisation of Payments, blockchain, etc., as well as new risk or risk mitigation measures and related legal developments, which research would include the development of papers on such aspects; and
- › Projects, where such projects would be for the good of the National Payment System.

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

1.10 Significant judgements and sources of estimation uncertainty

Critical judgements in applying accounting policies.

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

PASA reviews the estimated useful lives of property, plant and equipment when changing circumstances indicate that they may have changed significantly since the most recent reporting date. During the current year, management determined that the useful lives are appropriate.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31 December 2022

2. Property, plant and equipment

	2022			2021		
	Cost or revaluation R	Accumulated depreciation R	Carrying value R	Cost or revaluation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	1 654 912	(1 313 984)	340 928	1 654 911	(1 088 311)	566 600
IT equipment	2 869 084	(2 096 666)	772 418	2 724 685	(1 979 734)	744 951
Office equipment	1 537 094	(891 346)	645 748	1 084 014	(705 763)	378 251
Security equipment	300 341	(138 619)	161 722	172 789	(91 489)	81 300
Total	6 361 431	(4 440 615)	1 920 816	5 636 399	(3 865 297)	1 771 102

Reconciliation of property, plant and equipment

	Opening balance R	Additions R	Disposals R	Depreciation R	Closing balance R
2022					
Furniture and fixtures	566 600	–	–	(225 672)	340 928
IT equipment	744 951	488 948	(55 335)	(406 146)	772 418
Office equipment	378 251	453 080	–	(185 583)	645 748
Security Equipment	81 300	127 552	–	(47 130)	161 722
	1 771 102	1 069 580	(55 335)	(864 531)	1 920 816
2021					
Furniture and fixtures	867 573	13 374	–	(314 347)	566 600
IT equipment	975 903	229 710	(19 085)	(441 577)	744 951
Office equipment	563 135	18 488	–	(203 372)	378 251
Security equipment	109 297	–	–	(27 997)	81 300
	2 515 908	261 572	(19 085)	(987 293)	1 771 102

3. Intangible assets

Intangible assets (software developed in-house) of R926 153 comprising the development of a new Member portal have been capitalised. This has not been amortised as the Member portal build is in progress and the asset is not yet in use.

4. Other financial assets

At fair value

Glacier Investment Plan – PASA

Glacier Investment Plan – Vested portion

Glacier Investment Plan – Non-Vested portion

Non-current assets

Designated at fair value through profit/loss

Current assets

Designated at fair value through profit/loss

	2022 R	2021 R
	–	1 191 399
	1 833 963	1 215 459
	26 907 610	12 904 357
	28 741 573	15 311 215
	26 907 610	12 904 357
	1 833 963	2 406 858
	28 741 573	15 311 215

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 payable to the employees within 12 months from the balance sheet date.

Glacier Investment Plan – Non-Vested portion

The investment consists of incentive bonuses granted to employees which do not vest in the 12 months after the balance sheet date.

Long-Term Incentive Scheme

The Long-Term Incentive Scheme provides for retention bonuses to key management and a once off PIB-related retention LTI. The LTI vesting periods are as follows: 33% of the bonus allocation vests 3 years after the grant date, 33% vests 4 years after the grant date and the balance vests 5 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 the amount forfeited immediately vests as an investment for PASA.

The once off PIB-related retention LTI was granted under the following conditions:

- › The LTI will be allocated to individual Glacier Investment Funds on the first day of operations of the PIB (PIB effective date). The reason for this is that the SARB still formally needs to approve the PIB construct and pronounce on the effective date. Should the PIB not be established, for whatever reason, then no LTI will be allocated to the employees and employees will have no claim against PASA.
- › The full LTI will vest and become payable two calendar years after the PIB effective date on condition that the employee is still employed by the PIB.

Long-term incentive reserve

A long-term incentive reserve is funded annually as part of the budgeting process. The reserve may be used for long-term incentive purposes such as to retain key employees, incentivise medium to long term high performance and to support sign-on bonuses for scarce skills. This has been retained as restricted funds in medium-term deposits in cash in bank.

5. Trade and other receivables

	2022 R	2021 R
Trade receivables	653 268	7 040 207
Sundry debtors	115 877	161 963
Lease deposit	434 466	–
Prepaid expenses	67 331	161 053
VAT	1 721 289	1 732 411
	2 992 231	9 095 634

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6 756 405	4 315 116
Short-term deposits	13 460 806	9 552 691
Medium-term deposits	14 727 792	13 865 091

Medium-term deposits include restricted funds for the long-term incentive reserve to the value of R1.5m

	34 945 003	27 732 898
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7. Trade and other payables

Trade payables	–	337 865
Accrued leave-pay	2 547 099	3 211 551
Accrued expense	3 166 103	2 279 506
Other payables	536 724	524 112
Other payables – PAYE	2 348 878	8 278 112
	8 598 804	14 611 146

8. Other financial liabilities

At fair value

Long-Term Incentive Scheme – Vested portion	1 833 963	1 215 459
Long-Term Incentive Scheme – Non-Vested portion	19 394 543	12 904 357
PIB Long-Term Incentive Scheme – Non-Vested portion	9 013 067	–
	30 241 573	14 119 816

Non-current liabilities

At fair value	28 407 610	12 904 357
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Current liabilities

At fair value	1 833 963	1 215 459
	30 241 573	14 119 816

Long-Term Incentive Scheme – Vested portion

The liability consists of the vested portions of the Long-Term Incentive Scheme which are payable to qualifying LTI recipients 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 are payable to qualifying LTI recipients 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 being equal to their carrying value.

9. Deferred income

Non-compliance penalties
Industry Training
Payments Industry Conference

2022 R	2021 R
5 173 381	2 982 381
3 007 141	1 497 409
67 822	165 127
8 248 344	4 644 917

10. Revenue

Membership subscriptions
PCH agreements & membership
System operator activations and annual renewals

117 168 174	81 046 895
107 000	–
783 400	759 167
118 058 574	81 806 062

Membership subscriptions

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 or any other person.

11. Other income

Other income
Foreign exchange gain
Conference income (See note 1.9 on page 12)
Training income recognised (See note 1.9 on page 12)

2022 R	2021 R
28 208	70 525
83 151	65 227
97 305	922 764
998 242	386 207
1 206 906	1 444 723

12. Operating surplus/(deficit)

Operating surplus/(deficit) for the year is stated after accounting for the following:

Operating lease charges
Premises

– Contractual amounts

Property, plant and equipment

– Contractual amounts

1 170 820	3 924 284
452 479	521 873
1 623 299	4 446 157
864 531	987 293
79 568 554	74 863 315

Depreciation on property, plant and equipment

Employee costs

13. Investment revenue

Interest received

4 498 279	2 349 120
4 498 279	2 349 120

14. 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.

15. Auditors' remuneration

	2022 R	2021 R
Audit fees	137 857	141 588
Other	2 500	18 931
	140 357	160 519

16. Cash generated from/(utilised by) operations

Surplus/(Loss) for the year	1 922 085	(19 290 001)
Adjustments for:		
Depreciation	864 532	987 294
Interest received	(4 498 279)	(2 217 728)
Loss on sale of fixed assets	22 500	19 086
Non-cash flow items liability (salary allocations and fair value adjustments)	16 121 757	3 597 360
Non-cash flow items investments (allocations and fair value adjustments)	(227 292)	(638 764)
Changes in working capital:		
Trade and other receivables	6 103 403	(8 001 664)
Trade and other payables	(6 032 342)	8 453 886
Deferred income	3 603 427	1 604 881
	17 879 790	(15 485 650)

17. Commitments

Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	912 055	2 667 210
– in second to fifth year inclusive	–	856 196
	912 055	3 523 406

18. Independent Councillors

Sydney Gericke (Independent Chair)
Ingrid Goodspeed (Independent Deputy Chair)
Herman Singh (Independent Councillor)

	2022 R	2021 R
Compensation paid to Independent Councillors		
– For PASA Council duties	1 488 428	1 452 655
– For assistance on the PIB design project	206 706	203 470
– Independent Councillors remuneration	1 695 134	1 656 125

19. Compensation paid to key management

Key management remuneration	22 948 227	15 710 490
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20. Going concern

The Annual Financial Statements have been prepared on the going concern basis. 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 themselves that PASA is in a sound financial position and capable of meeting its foreseeable cash requirements. PASA Council has considered the impending legislative changes relating to regulatory reform in the NPS Act and the potential transition to the PIB on the promulgation of the COFI Bill (and consequential amendments to the NPS Act) and we are of the view that it does not have an adverse impact on PASA's going concern. PASA Council notes, however, that a consequence of these changes is that PASA will ultimately stop operating and be dissolved. It is not anticipated that the dissolution of PASA will take place in the coming reporting period. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements.

21. Significant Matters

PASA submitted a report to the SARB outlining the industry-approved design for a new entity, for now called the Payments Industry Body (PIB). The key purpose of the PIB will be to ensure the maintenance of the interoperability of the National Payment System, through collaboration and cooperation among all participants in the payments landscape. The PIB will ultimately replace PASA, which will result in the transfer of PASA resources to the PIB, BankservAfrica and the SARB. The implementation of the PIB is currently in planning phase while the SARB's "no objection" to the design is being sought. Transition is due to commence only after approval of the design and once SARB and PASA Council are comfortable with the transition plan. In the interim, PASA continues to operate as required by the National Payment System Act and its Constitution.

22. Subsequent events

There are no subsequent events to report.

SUPPLEMENTARY INFORMATION NOTE 1: DEFERRED INCOME ANALYSIS

	2022 R	2021 R
Non-Compliance Penalties		
Opening Balance	2 982 381	2 105 099
Income received for the year	1 600 000	–
Doubtful debts recovered (See note 1.3)	591 000	901 042
Expenses incurred triggering the release of deferred income (See note 1.9)	–	(23 760)
Closing balance	5 173 381	2 982 381
Training: Industry		
Opening Balance	1 497 409	934 937
Income received for the year	2 507 974	972 727
Provision for doubtful debts (See note 1.3)	–	(24 048)
Expenses incurred triggering the release of deferred income (See note 1.9)	(998 242)	(386 207)
Closing balance	3 007 141	1 497 409
PASA International Payments Conference		
Opening Balance	165 127	–
Income received for the year	–	1 087 891
Expenses incurred triggering the release of deferred income (See note 1.9)	(97 305)	(922 764)
Closing balance	67 822	165 127
Total Deferred Income at the end of the year	8 248 344	4 644 917

The supplementary information presented does not form part of the annual financial statements and is unaudited.



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