



2021

ANNUAL FINANCIAL
STATEMENTS FOR
THE YEAR ENDED
31 DECEMBER 2021

25 YEARS

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 inter-bank payments and payments clearing and settlement of inter-bank 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 Limited

Auditors

PKF Octagon Incorporated
Chartered Accountants (SA)
Registered Auditors

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 Proprietary Limited

Date issued

12 May 2022

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 and 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 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 financial 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 2022 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 16, which have been prepared on the going concern basis, were approved by PASA Council on 12 May 2022 and were signed on their behalf by:



Sydney Gericke
Chairperson



Ghita Erling
CEO

INDEPENDENT AUDITORS' 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 The Payment Association of South Africa set out on pages 6 to 16, which comprise the Statement of Financial Position as at 31 December 2021, 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 The Payment Association of South Africa (association) as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the constitution of The Payment Association of South Africa.

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

The 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 2021", which includes the 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 the PASA Council for the Financial Statements

The PASA Council is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities and the requirements of the constitution, and for such internal control as the 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, the 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 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 the PASA Council.

- Conclude on the appropriateness of the 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 the 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.



PKF Octagon Inc.

Director: B Roos CA(SA)

Registered Auditor

19 May 2022

Johannesburg

21 Scott Street,

Waverley,

2090

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 Payments System (NPS) with the primary objective to organise, manage and regulate all matters affecting inter-bank 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 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 Councillors in office during 2021 are as follows:

Sydney Gericke (Independent Chair)

Ingrid Goodspeed (Independent Deputy Chair)

Herman Singh (Independent Councillor)

Principal Councillor	Alternate Councillor
John Anderson	
Megan Brown	Boitumelo Legabe (Resigned December 2021)
Ian Carter	Marijke Guest
Matthew Coaker (Appointed August 2021)	Marthinus Janse van Rensburg
Dirk Ehlers (Retired July 2021)	
Ghita Erling (Ex-officio: voting)	
Rufaida Hamilton	John Elliot
Tim Masela (Ex-officio: non-voting)	Shaun Rayfield (Ex-officio: non-voting)
Jill Murtagh	Frederik Hanekom
Charl Smedley	Gabriella Teixeira

4. Significant Matters

A significant reform initiative embarked upon during the reporting period was the initiation of a collaborative and inclusive community engagement by the payment system stakeholders relating to the establishment of a Payment Industry Body (PIB) in which the SARB requested PASA to facilitate the engagements and design. The expected outcome of this initiative is to foster cooperation and collaboration that would foster appropriate responses to the rapidly evolving financial and payments landscape. The key purpose of the PIB will be to provide a structure that will afford the NPS achievement and maintenance of an interoperable middle-mile infrastructure through collaboration and cooperation among current participants and new entrants in the payments landscape. The structure will further provide an inclusive body that will facilitate the collective efforts for the realisation of Vision 2025 and other public policy goals. The establishment of a new PIB will have a significant impact on PASA's existence. The new PIB is expected to result in the dissolution of PASA and transfer of PASA resources to the new PIB. The design and implementation of the new PIB is currently at planning phase as the approvals to go ahead and implement have not yet been granted. Once sign-off of the design has been obtained from the payment community, SARB approval of the design will be sought. Transition is due to commence only after complete approval of the design and once SARB and Council are comfortable with the transition plan and transition governance structures have been established. In the interim, PASA continues to operate as required by the NPS Act and its Constitution.

5. Events after the reporting period

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

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. Council is not aware of any new material changes that may adversely impact the association. As explained in item 4, we have considered the impending legislative changes relating to regulatory reform in the NPS Act and we are of the view that it does not have an adverse impact on PASA's going concern. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements.

7. Impact on PASA of the effects of the Covid-19 pandemic

PASA employees continue to embrace hybrid work arrangements and comply with regulatory and Health and Safety requirements.

8. Company Secretary

PASA Company Secretary is Helen Peace.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

	Notes	2021 R	2020 R
ASSETS			
Non-Current Assets			
Property, plant and equipment	2	1 771 102	2 515 908
Other financial assets	3	12 904 357	9 857 986
		14 675 459	12 373 894
Current Assets			
Trade and other receivables	4	9 095 634	1 093 971
Other financial assets	3	2 406 858	664 470
Cash and cash equivalents	5	27 732 898	45 412 388
		39 235 390	47 170 829
Total Assets		53 910 849	59 544 723
EQUITY AND LIABILITIES			
Equity			
Accumulated funds		20 514 970	39 804 971
Liabilities			
Non-Current Liabilities			
Other financial liabilities	7	12 904 357	9 857 986
Current Liabilities			
Trade and other payables	6	14 631 146	6 177 260
Other financial liabilities	7	1 215 459	664 470
Deferred income	8	4 644 917	3 040 036
		20 491 522	9 881 766
Total Liabilities		33 395 879	19 739 752
Total Equity and Liabilities		53 910 849	59 544 723

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2021

	Notes	2021 R	2020 R
Revenue	9	81 806 062	87 475 872
Other income	10	1 444 723	599 999
Operating expenses		(104 870 820)	(83 334 550)
Operating (deficit)/surplus	11	(21 620 035)	4 741 321
Investment revenue	12	2 217 728	3 557 333
Loss on sale of fixed assets		(19 086)	–
Fair value adjustments	13	131 392	(192 661)
(Loss)/Surplus for the year		(19 290 001)	8 105 993

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2021

	Accumulated funds R	Total equity R
Balance at 01 January 2020	31 698 978	31 698 978
Surplus for the year	8 105 993	8 105 993
Balance at 01 January 2021	39 804 971	39 804 971
Loss for the year	(19 290 001)	(19 290 001)
Balance at 31 December 2021	20 514 970	20 514 970

STATEMENT OF CASH FLOWS

for the year ended 31 December 2021

	Notes	2021 R	Restated 2020 R
Cash flows from operating activities			
Cash (used)/generated from operations	16	(15 485 650)	6 133 419
Interest income		2 217 728	3 177 989
Net cash from operating activities		(13 267 922)	9 311 408
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(261 572)	(612 539)
Acquisition of investments		(4 825 802)	(2 050 405)
Withdrawal of investments		675 806	1 278 558
Net cash used in investing activities		(4 411 568)	(1 384 386)
Total cash movement for the year		(17 679 490)	7 927 022
Cash at the beginning of the year		45 412 388	37 485 366
Total cash at end of the year	5	27 732 898	45 412 388

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.

1.2 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, 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.

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

1.2 Financial instruments (continued)

Financial instruments at amortised cost (continued)

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.

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 related assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.5 Long-Term Incentive Scheme

Incentive bonuses for qualifying employees are recognised as a long-term investment on grant date with 33% vesting after 3 years, 33% vesting after 4 years and the balance vesting 5 years from grant date. A corresponding increase in liabilities is recognised at the same date.

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.

Should the employee resign before the completion of the specified service period, they will forfeit that part of the award which remains unvested. The forfeited long-term incentive award then becomes a vested investment for PASA, and the matching liability is reversed.

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

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 an ex-VAT 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.

1.9 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 as long as the training courses are being provided by PASA.

All training income should be utilised specifically for:

- The development of new training material to be used by PASA in the provision of its training courses to its Members and other third parties that may be interested; and
- The provision of training courses to its Members and other third parties that may be interested.

PASA Council determined in 2014 that all non-compliance penalty income is ring-fenced and only allowed to be utilised for training and education and capacity building, research, investigation and work relating to risk management, legal developments and emerging technologies. 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 conferences to PASA Members and non-Members. Excess income received is recognised as deferred income for as long as the conferences are being provided by PASA.

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 Supplementary Note 1 of these annual financial statements.

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 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 2021

2. Property, plant and equipment

	2021			2020		
	Cost or revaluation R	Accumulated depreciation R	Carrying value R	Cost or revaluation R	Accumulated depreciation R	Carrying value R
Furniture and fixtures	1 654 911	(1 088 311)	566 600	1 641 537	(773 964)	867 573
IT equipment	2 724 685	(1 979 734)	744 951	2 540 631	(1 564 728)	975 903
Office equipment	1 084 014	(705 763)	378 251	1 065 526	(502 391)	563 135
Security equipment	172 789	(91 489)	81 300	172 789	(63 492)	109 297
Total	5 636 399	(3 865 297)	1 771 102	5 420 483	(2 904 575)	2 515 908

Reconciliation of property, plant and equipment

	Opening balance R	Additions R	Disposals R	Depreciation R	Closing balance R
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
2020					
Furniture and fixtures	1 148 418	37 497	–	(318 342)	867 573
IT equipment	959 909	534 395	–	(518 401)	975 903
Office equipment	763 485	5 675	–	(206 025)	563 135
Security equipment	101 156	34 972	–	(26 831)	109 297
	2 972 968	612 539	–	(1 069 599)	2 515 908

3. Other financial assets

At fair value

	2021 R	2020 R
Glacier Investment Plan – PASA	1 191 399	–
Glacier Investment Plan – Vested portion	1 215 459	664 470
Glacier Investment Plan – Non-Vested portion	12 904 357	9 857 986
	15 311 215	10 522 456
Non-current assets		
Designated at fair value through profit (loss)	12 904 357	9 857 986
Current assets		
Designated at fair value through profit (loss)	2 406 858	664 470
	15 311 215	10 522 456

3. Other financial assets (continued)

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 incentive bonuses to key management. 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.

	2021 R	2020 R
4. Trade and other receivables		
Trade receivables	7 040 207	58 161
Less: Provision for doubtful debts	–	(50 656)
Staff Loans	–	1 000
Sundry debtors	161 963	–
Prepaid expenses	161 053	–
VAT	1 732 411	1 085 466
	9 095 634	1 093 971
5. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	4 315 116	28 597 490
Short-term deposits	9 552 691	2 345 013
Medium-term deposits	13 865 091	14 469 885
	27 732 898	45 412 388
6. Trade and other payables		
Trade payables	337 865	637 532
Accrued leave payable	3 211 551	1 674 725
Accrued expense	2 279 506	709 334
Other payables	524 112	88 769
Other payables – PAYE	8 278 112	3 066 900
	14 631 146	6 177 260

	2021 R	2020 R
7. Other financial liabilities		
At fair value		
Long-term incentive scheme – Vested portion	1 215 459	664 470
Long-term incentive scheme – non-Vested portion	12 904 357	9 857 986
	14 119 816	10 522 456
Non-current liabilities		
at fair value	12 904 357	9 857 986
Current liabilities		
at fair value	1 215 459	664 470
	14 119 816	10 522 456

Long-term incentive scheme – vested portion

The liability consists of the vested portions of the long-term incentive scheme which are 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 are 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 being equal to their carrying value.

	2021 R	2020 R
8. Deferred income		
Non-compliance penalties	2 982 381	2 105 099
Industry Training	1 497 409	934 937
Payments Industry Conference	165 127	–
	4 644 917	3 040 036
9. Revenue		
Membership subscriptions	81 046 895	86 579 484
PCH agreements & membership	–	59 000
System operator activations and annual renewals	759 167	837 388
	81 806 062	87 475 872

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.

	2021 R	2020 R
10. Other income		
Other income	70 525	27 600
Foreign exchange gain	65 227	–
Conference income (See note 1.9 and page 11)	922 764	–
Training income recognised (See note 1.9 and page 11)	386 207	572 399
	1 444 723	599 999

	2021 R	2020 R
11. Operating (deficit)/surplus		
Operating (deficit)/surplus for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
– Contractual amounts	3 924 284	3 509 854
Property, plant and equipment		
– Contractual amounts	521 873	504 487
	4 446 157	4 014 341
Depreciation on property, plant and equipment	987 293	1 069 599
Employee costs	75 709 829	66 374 171
12. Investment revenue		
Other financial assets	–	379 344
Interest received	2 217 728	3 177 989
	2 217 728	3 557 333
13. Fair value adjustments		
Fair value gain	131 392	(192 661)
14. Taxation		
PASA is exempt from Income Tax under Section 10(1) (cA)(i) of the Income Tax Act 58 of 1952. PASA needs to comply with requirements annually to retain their exempt status.		
	2021 R	2020 R
15. Auditors' remuneration		
Audit fees	141 588	99 553
Other	18 931	19 170
	160 519	118 723
16. Cash generated from operations		
(Loss)/Surplus for the year	(19 290 001)	8 105 993
Adjustments for:		
Depreciation	987 293	1 069 599
Bad debt provision	–	(250 407)
Interest received	(2 217 728)	(3 177 989)
Loss on sale of fixed assets	19 086	–
Non-cash flow items liability (salary allocations and fair value adjustments)	3 597 360	2 623 394
Non-cash flow items investments (salary allocations and fair value adjustments)	(638 763)	(3 212 444)
Changes in working capital:		
Trade and other receivables	(8 001 664)	7 466 681
Trade and other payables	8 453 886	(2 427 735)
Deferred income	1 604 881	(4 063 673)
	(15 485 650)	6 133 419
17. Commitments		
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	2 667 210	3 551 581
– in second to fifth year inclusive	856 196	9 253 868
	3 523 406	12 805 449

	2021 R	2020 R
18. Related party transactions		
Purchased from related parties – Veritas Books	–	21 060

19. Independent Councillors

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

	2021 R	2020 R
Compensation paid to Independent Councillors		
– For PASA Council duties	1 452 655	1 560 537
– For assistance on the PIB design project	203 470	–
– Independent Councillors remuneration	1 656 125	1 560 537

20. Compensation paid to key management

Key management remuneration

	15 710 490	15 955 598
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21. Comparative figures

The comparative figures for Cash flows from financing activities: Movement in financial liability have been reclassified to Cash flows from investing activities.

The Cash flows from financing activities: Movement in financial liability were incorrectly disclosed in the Statement of Cashflows.

The effects of the reclassification are as follows:

Statement of Cash flows

	Published 2020 R	Restated 2020 R
Cash generated from operations	6 915 130	6 133 419
Cash flows from investing activities		
Acquisition of investments	(4 176 952)	(2 050 405)
Withdrawal of investments	–	1 278 558
Cash flows from financing activities		
Other financial liabilities raised/repaid	2 623 394	–

22. Going concern

The Annual Financial Statements have been prepared on the going concern basis. 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. Council is not aware of any new material changes that may adversely impact the association. As explained in item 23, we have considered the impending legislative changes relating to regulatory reform in the NPS Act and we are of the view that it does not have an adverse impact on PASA's going concern. The Councillors are also not aware of any material non-compliance with statutory or regulatory requirements.

23. Significant Matters

A significant reform initiative embarked upon during the reporting period was the initiation of a collaborative and inclusive community engagement by the payment system stakeholders relating to the establishment of a Payment Industry Body (PIB) in which the SARB requested PASA to facilitate the engagements and design. The expected outcome of this initiative is to foster cooperation and collaboration that would foster appropriate responses to the rapidly evolving financial and payments landscape. The key purpose of the PIB will be to provide a structure that will afford our system achievement and maintenance of an interoperable middle-mile infrastructure through collaboration and cooperation among current participants and new entrants in the payments landscape. The structure will further provide an inclusive body that will facilitate the collective efforts for the realisation of Vision 2025 and other public policy goals. The establishment of a new PIB will have a significant impact on PASA's existence. The new PIB is expected to result in the dissolution of PASA and transfer of PASA resources to the new PIB. The design and implementation of the new PIB is currently at planning phase as the approvals to go ahead and implement have not yet been granted. Once sign-off of the design has been obtained from the payment community, SARB approval of the design will be sought. Transition is due to commence only after complete approval of the design and once SARB and Council are comfortable with the transition plan and transition governance structures have been established. In the interim, PASA continues to operate as required by the NPS Act and its Constitution.

24. Subsequent events

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

25. Impact on PASA of the effects of the Covid-19 pandemic

PASA employees continue to embrace hybrid work arrangements and comply with regulatory and Health and Safety requirements.

SUPPLEMENTARY INFORMATION NOTE 1: DEFERRED INCOME ANALYSIS

	2021 R	2020 R
Non-Compliance Penalties		
Opening Balance	2 105 099	5 221 823
Income received for the year	–	62 000
Doubtful debts recovered (See note 1.9)	901 042	–
Provision for doubtful debts (See note 1.9)	–	(3 178 724)
Expenses incurred triggering the release of deferred income (See note 1.9)	(23 760)	–
Closing balance	2 982 381	2 105 099
Training: Industry		
Opening Balance	934 937	1 881 886
Income received for the year	972 727	23 555
Provision for doubtful debts (See note 1.9)	(24 048)	(398 105)
Expenses incurred triggering the release of deferred income (See note 1.9)	(386 207)	(572 399)
Closing balance	1 497 409	934 937
PASA International Payments Conference		
Opening Balance	–	–
Income received for the year	1 087 891	–
Expenses incurred triggering the release of deferred income (See note 1.9)	(922 764)	–
	165 127	–
Total Deferred Income at the end of the year	4 644 917	3 040 036

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

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