

# South African Football Association

ANNUAL FINANCIAL REPORT incorporating  
GROUP ANNUAL FINANCIAL STATEMENTS and  
ASSOCIATION ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2016





## South African Football Association

### Annual Financial Report for the year ended 30 June 2016

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*In June 2016 the Sasol-powered Banyana Banyana travelled to the Netherlands for two international friendlies against the Orange Lionesses forming part of their Rio warm-up. The ladies suffered two defeats (0 – 1 and 0 – 2) in their admirable performances against this European side ranked 13<sup>th</sup> in the world.*



## Mr Thamsanqa Gay Mokoena

Chairman:

Finance and Procurement Committee

The past year has been a very successful one for our junior teams such as the Boys U17, Men U20, the Olympic Team (Men U23) and the Women's Senior National Team, the adorable Banyana Banyana. But the year has been a difficult one for the Association in financial terms. We have made a loss of R42,3m.

The success of our junior teams brings about increased preparation costs and yet the teams are not winning major prizes to defray the expenses. In addition, these teams are unfortunately not sponsored at the moment and they do not generate any additional sponsorships even if they play at a world event such as the Olympics because of the nature of representation. Whilst the cost of developing our junior teams to succeed contributed to the loss position, it is an absolutely necessary cost that we cannot do without. This cost is the prize we have to pay for a successful Vision 2022 Plan.

The costs of preparing the junior teams were not the only and the major contributor to our financial performance. The main contributor to our poor performance is that we did not generate the revenue we had budgeted. We were 17% below budget. The main reason for this poor performance is that one of our commercial partners is still awaiting an enabling legislation to perform as per our agreements. Nevertheless, the Association worked hard to establish alternative sources of revenues in the meanwhile. As a result, although the results were poor in the end, I am glad to report that there was an improvement of 14.6% in sponsorship revenues and that the expenditure budget was well managed.

It is also a pleasure to report that, despite the loss situation, the Association has continued to implement its mandate of developing coaches, referees, medical and administrative staff. For example, during the past year, 2,174 coaches were trained by both the Association and its affiliate, the SAFA Development Agency. Significant progress has been made to prepare the National Technical Centre through support from FIFA and the 2010 FIFA World Cup Legacy Trust. The Centre has already played a major role in reducing accommodation, training venues and tournament related costs.

The turnaround strategy to build the Association to a billion rand organization is still intact. Although the past year was a slight setback in our plans, we are still resolute that our goal is still within reach. Although the football family in general has received negative publicity recently, it is pleasing to mention that there are positive developments from the international arena. The FIFA Forward Programme and the CAF improved TV Rights should bring about improved financial support to the Association. However, the elephant in the room is still the poor liquidity ratio. We still have more current liabilities than current assets. This is one of the major reasons that members, associates and clubs do not always receive their grants timeously. However, the Executive is working on new sources of revenues to address this challenge.

On behalf of the Finance and Procurement Committee, I would like to convey our sincere appreciation for the support we receive from the President, the Presidency, the NEC members, the CEO and his staff. We would also like to thank all our members and stakeholders for their patience and tolerance throughout the year. We look forward to a better year next year. Thank you.

# Mr Lucas Nhlapo



Chairman:

Audit and Risk Committee

On behalf of my fellow Audit and Risk Committee members, I would like to report on our assessment of the 2016 financial year. The financial performance was below expectation and this was mainly due to unrealised revenues. However, I am happy with the Group's systems, internal controls and risk management programme.

The Group continues to receive unqualified audit opinions from its auditors. This is a culmination of the effectiveness and efficiency of the systems and internal controls that have been in place throughout the financial year. The committee met four (4) times during the financial year to carry out its functions as prescribed by the SAFA Constitution and its Terms of Reference. The members demonstrated their commitment by attending most of the meetings and participating intensely.

The committee continuously assessed the group's systems and internal controls. We ensured that these are appropriate and adequate for the group and also that they are being implemented throughout the year. The committee continuously assessed the group's risk profile and ensured that appropriate measures are taken to deal with any risk. The committee is comfortable that proper and appropriate systems and internal controls are in place throughout the group.

The committee ensured that the group financial statements for year ended 30 June 2016 were prepared in compliance with all applicable legal and regulatory requirements and accounting standards. The committee also actively oversaw the external audit function by KPMG. This included approving the audit plan, monitoring the audit progress and reviewing KPMG's final report including the management report.

The committee is therefore glad to confirm the following results for the Group:

• Loss from operations	R 39.2m
• Loss for the year	R 42.3m
• Total assets	R 205.3m
• Net current liabilities	R 123.1m
• Retained earnings	R 6.3m

We would like to thank the National Executive Committee for the confidence that they have shown in our committee.



SOUTH AFRICAN  
FOOTBALL ASSOCIATION



sasol



# POWERING BANYANA BANYANA TO THE WOMEN AFRICA CUP OF NATIONS AND BEYOND.

Sasol. Powering women's football.

## Administration Reports

# Mr Dennis A. Mumble

## Chief Executive Officer



The past four years have witnessed a sea change in the way the Association governs itself, laying the foundation for the transformation of the Association's governance structures – an integral part of the Vision 2022 Strategic Plan of the SAFA National Executive Committee.

One of the primary pillars of Vision 2022 is the absolute requirement that the Association and all of its structures must perform much better on the field of play. Consistent with this, the Association has ensured in the past year that football is being played locally, regionally, provincially, nationally and internationally.

We have ensured that our U13, U15, U17 and U19 leagues continue in all 343 functional Local Football Associations (LFAs) and Regions, that national competitions are held and that our national teams enter all FIFA, CAF and COSAFA tournaments.

We were most fortunate, being the only country on the African continent, to have two national teams qualify for the 2016 Rio Olympic Games. Our junior national teams continue to perform well in international competitions and our senior teams appear well on their way to qualifying for their respective international competitions as of the writing of this review.

We cannot express just how much we continue to be grateful to our sponsors and partners for their continued support and confidence in the Association. Castle Lager, Sasol, BURGER KING®, South African Airways, Nike, SABC, Motsepe Foundation, Tiger Brands, Tsogo Sun, Avis, Computicket, Netcare and the 2010 FIFA World Cup Legacy Trust have been stalwarts in our continued delivery of Vision 2022 and must be saluted for their support. We trust that we can deliver on the promise they have invested in over the years of our partnership.

As reported last year, most of our properties remain unfunded in a tight sponsorship market and we anticipated in our report that we would not be able to produce the same results as last year.

We continued to prepare our national teams for what promised to be an eventful Rio Olympic Games despite the fact such preparation required an investment beyond what had been budgeted. Similarly, we were also faced with hosting a very successful CAF Futsal Africa Cup of Nations in the period under review without commercial support. These two activities remain primarily responsible for the current position that we are reporting on this year.

However, whilst we were aware of these challenges and tried to ameliorate our situation, the South African economy caused even further contractions in the sponsorship market overall and we did not realise the additional anticipated revenue. But, we have made the necessary adjustments in our approach to the 2016-2017 budget, with a plan that we can once more produce a small surplus and grow that further in the 2017-2018 financial year.

We trust that you will receive this report well and wish that you have productive deliberations at Congress.



Mr Gronie Hluyo

Chief Financial Officer

The 2016 Financial Year has been quite a challenging one and our financial results reflect that. Our 2016 financial performance is a direct contrast to the 2015 financial year. However, let me hasten to state that the 2015 financial year results were boosted by the 2010 FIFA World Cup Legacy Trust grant that was awarded for the specific purpose of purchasing the Fun Valley property. The effects of our unsatisfactory financial performance were felt through strained cash flows and delays in liquidating some of our liabilities. Despite this, we however managed to execute most of our programmes, especially around the national teams, successfully.

Due to the increasingly difficult economic conditions, we could not meet our revenue target. Some sponsors did not renew, citing changes in corporate strategy. Our broadcast fees target was also missed, mainly Satellite rights, due to the market conditions and the unexpected delays in the broadcasting by one of our broadcast partners. Consequently our actual revenue was 17% below budget.

The success of our national teams resulted in an increase in their activities. There are significant preparation costs that come with our teams qualifying for major tournaments. Our Under 17 boys qualified for the 2015 FIFA World Cup Chile and both our Women's Senior National Team and Under 23 Men qualified for the 2016 Summer Rio Olympics. In April 2016 we also hosted the Africa Futsal Cup of Nations which involved the top 8 countries in Africa. The Siyaya TV annual fees also contributed to our increased costs. This enabled us to conclude a new and much improved agreement with the South African Broadcasting Corporation (SABC). Our accounting fees increased as a result of EY not renewing the sponsorship component of our partnership. Our legal fees increased arising from a number of matters that we had to deal with.

The future prospects are quite positive though. We have some diverse revenue sources that are now already being realised. FIFA has increased its funding support to Member Associations. We will realise the full benefit of these grants in the 2017 financial year. CAF has also announced a significant increase in share of TV revenues by its member countries. The licensing and merchandising programme has now kicked off after FIFA approved the programme and committed some seed funding for it. The SAFA Digital project has been approved and work has now started in earnest. The appointment of a new sponsorship agency is expected to bring in some new sponsors. The acquisition of the Fun Valley property and development of the SAFA Technical Centre has resulted in significant cost-savings, especially accommodation costs. We are therefore quite optimistic that the 2017 financial year will produce much better results.

Lastly, I would like to thank the Finance & Procurement Committee and Audit & Risk Committee for their continued guidance on finance matters.

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EY is committed to highest performing teams both in and outside the boardroom.

We're pleased to partner with SAFA because high performance starts by giving it your best effort.

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*EY is an official supplier to the South African Football Association (SAFA)*

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working world

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working world



Mr Jaco van der Walt

EY Financial Platform Leader

During the past year, FIFA elected a new President, investigations into bribery allegations in football are ongoing and funders providing support to football projects are applying stricter compliance standards.

The Association has already begun implementing the recently acquired National Technical Centre for the accommodation of the Junior National Teams and the hosting of coaching and referees workshops. Funding from FIFA and the 2010 FIFA World Cup Legacy Trust is assisting in the current improvements to the National Technical Centre to assist the Association in its ambitions to build a world class Technical Centre. Congratulations to Bafana Bafana for winning the 2017 COSAFA Cup and to the Junior Teams in qualifying for the FIFA U17 World Cup and the Men's Under 23 and Women's Senior National Teams for the 2016 Rio Olympic Games.

I trust that the Financial Platform has brought transparency and has contributed towards the Association meeting its objectives for Vision 2020.

Our thanks go out to the Financial Platform team and the SAFA leadership and for their guidance over the past financial year and our best wishes on your journey in implementing your strategy.

## Charts &amp; Graphs

**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2016**  
(ZAR MILLION)

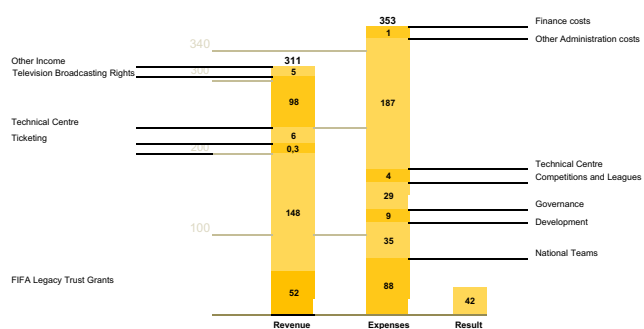
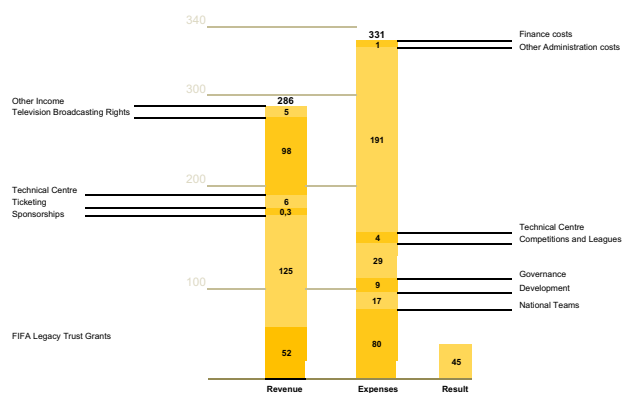
Assets	205	Liabilities and reserves	205
Current assets	74	Current Liabilities	197
Non-current assets	131	Non Current Liabilities	2
		Reserves	6

**SOUTH AFRICAN FOOTBALL ASSOCIATION**  
**BALANCE SHEET AS AT 30 JUNE 2016**  
(ZAR MILLION)

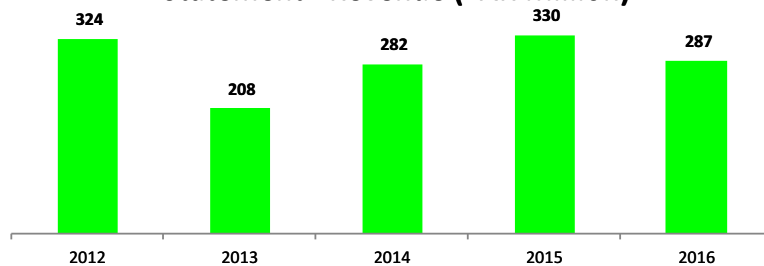
Assets	191	Liabilities and reserves	191
Current assets	60	Current Liabilities	183
Non-current assets	131	Non Current Liabilities	2
		Reserves	6

0,314      0,958115

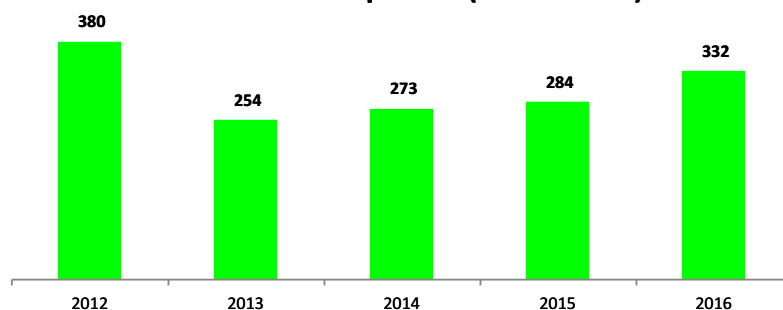
0,686      0      0,031414

**CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**  
(ZAR MILLION)**SOUTH AFRICAN FOOTBALL ASSOCIATION**  
**INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2016**  
(ZAR MILLION)

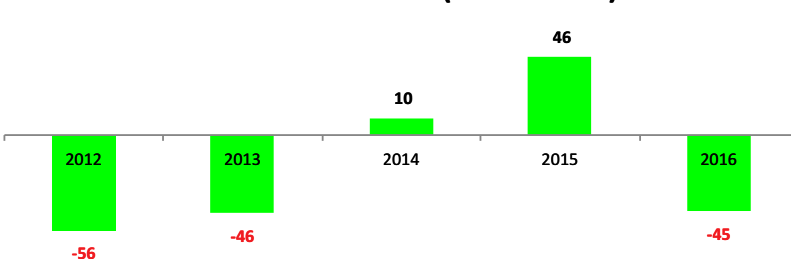
### South African Football Association Income Statement - Revenue (ZAR Million)



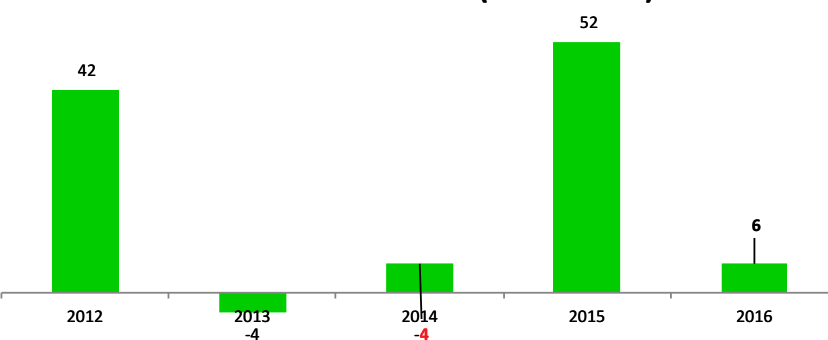
### South African Football Association Income Statement - Expenses (ZAR Million)



### South African Football Association Income Statement - Result (ZAR Million)

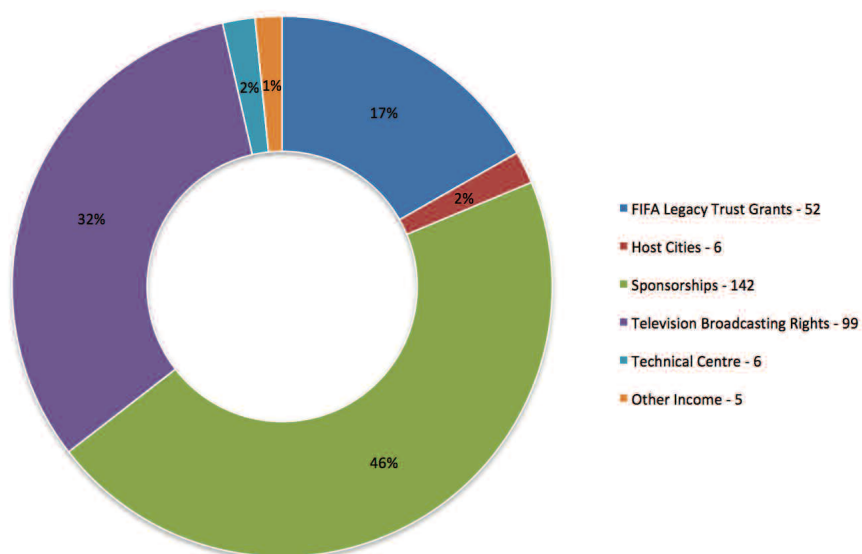


### South African Football Association Income Statement - Reserves (ZAR Million)

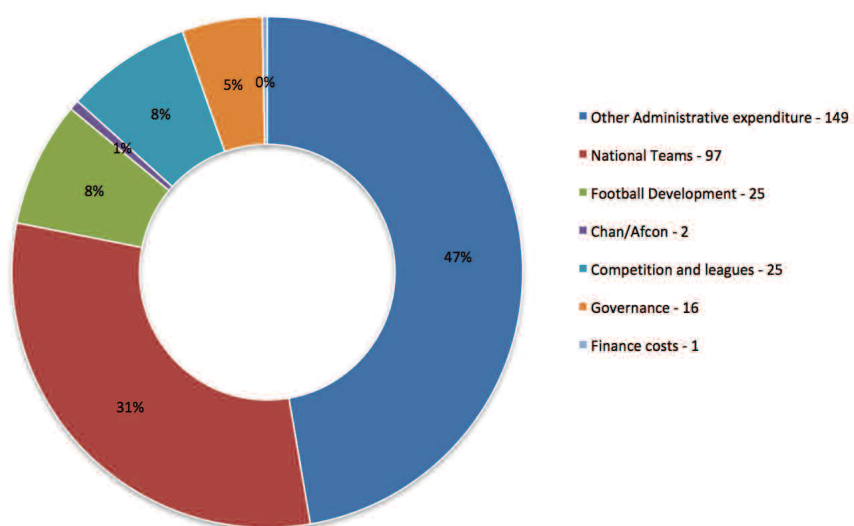


## Charts &amp; Graphs

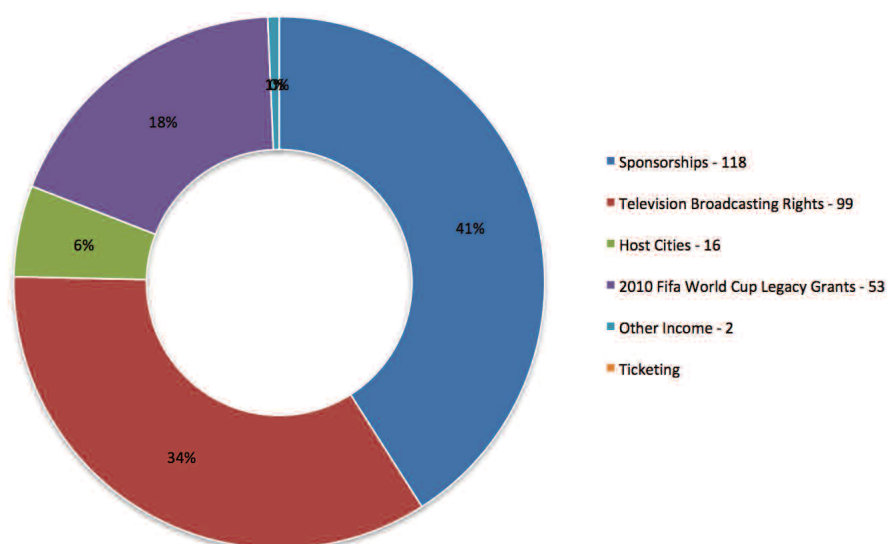
**Group Revenue 2016  
(ZAR Million)**



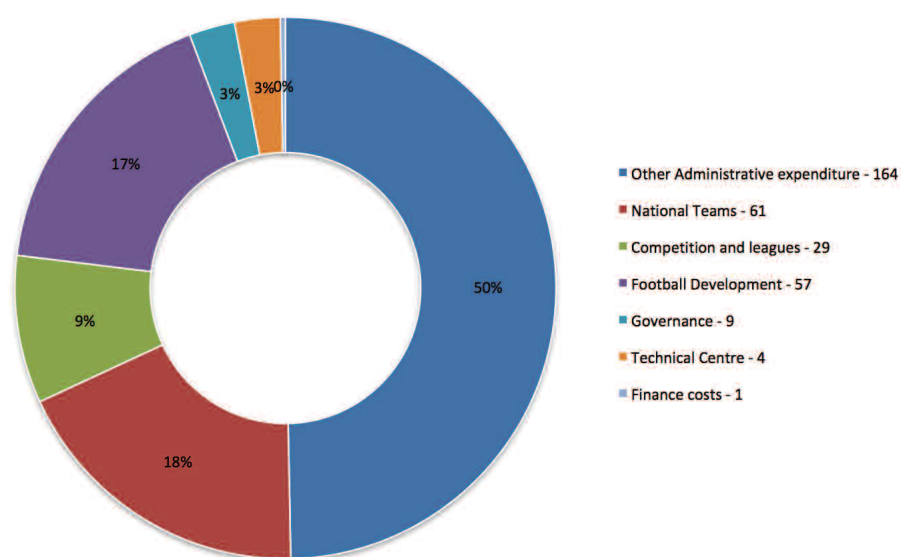
**Group Expenses 2016  
(ZAR Million)**



### South African Football Association Revenue 2016 (ZAR Million)



### South African Football Association Expenses 2016 (ZAR Million)



## South African Football Association

### National Executive Committee's responsibility statement

The National Executive Committee is responsible for the preparation and fair presentation of the group financial statements and financial statements of South African Football Association, comprising the statements of financial position at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards. In addition the National Executive Committee is responsible for preparing the report of the National Executive Committee, statement on corporate governance and composition of the National Executive Committee.

The National Executive Committee is also responsible for such internal controls to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The National Executive Committee has made an assessment of the Association and its subsidiaries ability to continue as going concerns and for the reasons stated in the report of the National Executive Committee believe that the Association and its subsidiaries will be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group financial statements and financial statements of the South African Football Association are fairly presented in accordance with the applicable financial reporting framework.

### Approval of the group financial statements and financial statements

The group financial statements and financial statements of South African Football Association for the year ended 30 June 2016 as identified in the first paragraph were approved by the National Executive Committee on 05 December 2016 and are signed by:



**Dr Danny A. Jordaan**  
President



**Mr Dennis A. Mumble**  
Chief Executive Officer

## South African Football Association

### National Executive Committee's statement on corporate governance

*for the year ended 30 June 2016*

The National Executive Committee supports the principles incorporated in the Code of Corporate Practices and Conduct as set out in King Code of Corporate Practices and Conduct. By supporting the Code, the Committee has recognised the need to conduct the Association with integrity and to issue financial statements which comply with International Financial Reporting Standards.

#### Group financial statements and financial statements

The members of the National Executive Committee are responsible for preparing the group financial statements and financial statements in a manner which fairly presents the state of affairs and results of the operations of the Group and the Association. The financial statements are prepared in accordance with International Financial Reporting Standards. The significant accounting policies adopted in the preparation of these group financial statements and financial statements are set out in note 2 to the financial statements.

The auditor's responsibility is to express an opinion on these financial statements based on an audit conducted in accordance with International Standards on Auditing.

#### Internal controls

The members of the National Executive Committee are responsible for maintaining adequate accounting records and for taking reasonable steps to safeguard the assets of the Association and its subsidiaries to prevent and detect fraud and other irregularities. The internal controls implemented operated effectively throughout the year.

#### Audit and risk committee

The committee members are appointed by the National Executive Committee.

The committee has met regularly over the past year to discuss accounting, auditing, internal control and other financial related matters. The committee provides a forum through which the independent auditor reports to the National Executive Committee.

#### Finance committee

The committee members are appointed by the National Executive Committee.

The committee has met regularly over the past year to discuss accounting, auditing, internal control and other financially related matters.

## Annual Financial Statements

## South African Football Association

### Composition of the National Executive Committee

*for the year ended 30 June 2016*

At the date of this report the composition of the National Executive Committee was as follows:

#### President

JORDAAN, Danny

#### Vice Presidents

KHOZA, Irvin  
NHLAPO, Lucas  
SHISHANA, Elvis

#### Chief Executive Officer

MUMBLE, Dennis

#### Members

ARENDSE, Norman  
BAARTMAN, Aubrey  
BANTU, David  
BUSHWANA, Mlungisi  
DON, Gerald  
GOVINDASAMY, Poobalan  
KUBEKA, Velaphi  
LEDWABA, Ria  
MADLALA, Mato  
MAFORVANE, Mzwandile  
MAHLANGU, Nomsa  
MALULEKA, Jack  
MANCHONYANE, Peter  
MATTHEWS, Stanley  
MOGOROSI, Letima  
MOKOENA, Thamsanqa Gay  
MONTSHIWA, Monde  
MOOKA, William  
MOTAUNG, Kaizer  
MZIMKHULU, Fina  
MZIMKHULU, Ndlelo  
NGWENYA, Kwenzakwakhe  
NKOMPELA, Xolile  
NKONE, Paseka  
PRINCE, Truman  
RAKOMA, Abel  
REEVES, Anthony  
TSICHLAS, Anastasia  
WHITE, Gladwyn  
XABA, Simphiwe  
ZULU, David

The above members, save for the position of the Chief Executive Officer, were elected onto the National Executive Committee on 28 September 2013. In terms of paragraph 13.23 of the Association's Statutes, these members will hold office for a period of four years. However, the Extraordinary Congress of the 26 September 2015 resolved that the current NEC members' term should be extended to until after the conclusion of the 2018 FIFA World Cup™.

## South African Football Association

### Report of the National Executive Committee

*for the year ended 30 June 2016*

#### Nature of business

The South African Football Association ("the Association") is the governing body for football in South Africa. Its main aim and objectives are to promote, advance, administer, co-ordinate and generally encourage the game of football in South Africa in accordance with the principles as laid down in the statutes of FIFA. There was no major change in the nature of the business of the Association during the year. The Association has subsidiaries which collectively are referred to as the Group.

#### Financial results

The Group's results, comprising the Association and its subsidiaries, are contained in the attached financial statements. The Group incurred a loss of R42.3 million (2015: profit: R40.7 million). The Group's financial position reflects a net asset value of R6.3 million. The Group's financial performance is not satisfactory and this is mainly due to revenue that did not materialise and some exceptional expenses that were not anticipated. In addition, some of our teams achieved a fair amount of success and, as they progressed further in various competitions, the preparation and participation costs escalated. Our main subsidiary, namely the South African Football Association Development Agency ("SDA") achieved a profit which has made a positive contribution to the Group's financial results.

#### Going concern

The Group incurred a loss of R42.3 million for the year ended 30 June 2016 and, as of that date, the Association's current liabilities exceeded its current assets by R50.6 million (excluding income received in advance). The Group has put plans in place to improve this position and is still determined to achieve a net current asset position within the next few years. It is quite important for this to be achieved because it would result in the debts being settled quicker. The Group has therefore set to achieve significant operating surpluses during the next few years in order to achieve the net current assets position. However, in the meantime we successfully negotiated and agreed payment plans with our major service providers.

The Group has long-term sponsorship contracts with most of its sponsors and this assures it of future revenue inflows. These sponsorships are expected to continue in view of the long-term nature and the mutual relationships that are long standing. We expect R191.8 million to flow from existing sponsorship and broadcast contracts. The Group has also commenced exploiting a number of revenue opportunities that it identified previously. This is in addition to the continued implementation of its financial recovery plan which has achieved a fair amount of success so far.

The Association has appointed a new Sponsorship Agency who has vast experience and expertise in sports sponsorship acquisitions and fundraising. Their mandate is to raise funding for the Group and also for our members, specifically SAFA Regions. Their strategy is to maximise on the underlying value of our products and secure the best deals for the Association. The Association has a substantial amount of unsold inventory and we are therefore confident that we will succeed in securing funding for these. We are expecting to achieve a R10 million sponsorship income within the first year.

The 2010 FIFA World Cup Legacy Trust ("the Trust") continues to support our development activities. We have successfully applied for regular funding since 2012 and we expect this funding to continue in the future. The implementation of the deferred projects and new funding from the Trust should result in revenue of about R59 million. This means that the Group's development programmes will continue unhampered by possible financial constraints. Therefore management's efforts can be channelled towards generating funds for other programmes and improving the current assets position of the Group.

## South African Football Association

### Report of the National Executive Committee

*for the year ended 30 June 2016 (continued)*

#### Going concern (continued)

FIFA recently approved the Association's licensing and merchandising programme and the seed capital for implementing it. The merchandise range will include national team jerseys, tracksuits, casual wear, formal wear clothing accessories, supporters' wear and other accessories like cups, pens, rings, balls, etc. An Agency was appointed to manage this programme, specifically establishing the distribution networks, implementing the licensing of outlets and managing the rights protection aspects. Due to the seed funding from FIFA, this project will be profitable from the second year and should generate an average surplus of R4 million per year from the third year.

The Association has kicked started the SAFA Digital project by running pilot projects within certain schools and SAFA Regions. The project includes the creation of database for all our players and teams, the competition system and other modules. The SAFA Digital project is also a commercial project that will generate revenues for the Group. The commercial opportunities associated with SAFA Digital are as follows:

- Telco partnership that will benefit both the Group and its members.
- Advertising served on both the Registration and Competition systems, as well as associated apps.
- Big data marketing, that is partnering with an agency to direct market to our members.
- Presenting sponsors for apps, competition website, talent identification.
- Membership registration fees.

We estimate that this project has a payback period of 3 years. We are also in discussion with a few possible funders and if we are successful, this will reduce the payback period quite significantly. This is will also result in additional, unencumbered and diversified revenue streams for the Group. The project will become profitable within the first 12 months. Conservatively we project average surpluses of R10 million per year commencing from the third year.

FIFA recently announced a vastly improved financial support programme for its member associations. This programme, known as FIFA Forward Programme, will assist member associations with their operational costs and certain approved projects. This funding will be a cost relief as it partly covers the Association's normal operational costs. The Association will also be strategic about the project funding so that it is invested in projects that will provide future returns, including financial, to the Association. An investment in the SAFA National Technical Centre is one of such envisaged projects. The annual allocation by FIFA per Member Association is about R10.1 million at the current exchange rates.

CAF also recently announced, after it signed a much improved TV rights deals with its broadcast partner, an increased share of TV rights revenue with its members. This means that the CAF members are guaranteed TV revenue for participating in CAF competitions and tournaments. The Association has already started enjoying these financial benefits which accrued from its participation in the 2017 Gabon Africa Cup of Nations qualifying matches and the 2018 Russia FIFA World Cup qualifying matches.

The developments at the SAFA National Technical Centre ("the Centre") are in progress. The Centre is already providing much needed financial relief to the Association in the form of significant savings in accommodation costs. The Fun Valley business is also cash generating and is contributing to the Association's net revenue. With the completion of various milestones at the Centre, the financial benefits will increase and these include:

- Increased savings in accommodation costs as we would be able to accommodate all our teams and for all our activities. We estimate annual cost savings of at least R10 million. This is based on our all teams, except Bafana Bafana currently, staying at the Centre. It is also based on most of courses and some of our tournaments being hosted at the Centre.
- Cost savings for field hire which is estimated at about R1 million per annum.
- Additional revenue from hiring our facilities to other sporting codes and any other interested parties.

## South African Football Association

### Report of the National Executive Committee

*for the year ended 30 June 2016 (continued)*

#### Going concern (continued)

The Group's stream of grant revenue from other sources is becoming more consistent. Sport and Recreation South Africa is providing an annual grant for development programmes. The National Lotteries Commission ("NLC") has also started to fund the Association's programmes and our relationship with them is strengthening. During the year the PSL increased their grant funding allocation. The Association has also identified an opportunity for the CATHSETA to fund our courses including Coaching and Referees' courses.

The SAFA Development Agency was set up to secure funding for football development in line with the SAFA Vision 2022 Football Development Plan. A critical condition of the establishment of the Agency was that it was able to generate sufficient funding to cover its operating costs. The Association agreed to fund the start-up costs of the Agency by means of a long-term loan.

The Agency has now managed to achieve a break-even operational status in June 2016, and with new partnerships to be concluded, and a new funding model via the Safe-Hub youth development centres, is confident of not only achieving its goal of raising funding for football development, but also of funding its own operations profitably.

The new funding strategy has already achieved some success, and by the end of the 2016 calendar year the Agency will conclude two new significant funding deals that will secure its revenues for the coming financial year, with a number of other partners making commitments in early 2017. The Agency has also reduced its operating costs significantly via a more sustainable cost allocation model. The structure of the Development Agency, and the new funding model via the Safe-Hubs, make it possible for funding to be secured from corporate BBBEE scorecard spend.

The Group continues to vigorously manage its costs by being innovative in the way that we carry out our activities. Fiscal discipline is being practised across the full organisation's spectrum. This is strengthened by, among other tools, operating with an approved budgets, enforcement of procurement policies and regular financial reporting. We are also creating value within the supply chain by working closely with our suppliers.

We have budgeted for an accounting profit of R1.2 million and a cash balance of R16.8 million for the financial year ending 30 June 2017.

The Association has also successfully managed to restructure some of its debts by negotiating favourable repayment periods. This was achieved through the healthy partnerships that we have with our service providers.

The National Executive Committee ("NEC") is therefore confident that the Group is a going concern.

#### Property, plant and equipment

Details of changes in property, plant and equipment are shown in note 6 to the annual financial statements.

The Association received a grant from FIFA for the development of SAFA House during the 2006 financial year. SAFA House has been built on land to which the Association was granted a right to erect improvements. This land belongs to the Department of Public Works. There is an understanding that the land on which SAFA House was built, would ultimately be transferred to the Association. At the date of this report this has not happened. The Association is in the process of resolving this matter with the Government but currently there is no indication that the Government will request the Association to vacate the building. In the opinion of the National Executive Committee the matter does not affect the value of, or the Association's rights to SAFA House. The carrying value of SAFA House is R33.7 million, however the Association has received a valuation report indicating that the market value for SAFA House was R105 million in 2010. The National Executive Committee estimates that the current market value of SAFA House is approximately R135 million.

## Annual Financial Statements

## South African Football Association

### Report of the National Executive Committee

*for the year ended 30 June 2016 (continued)*

#### Property, plant and equipment (continued)

In May 2015, the Association received a grant from the 2010 FIFA World Cup Legacy Trust for the acquisition and development of the Fun Valley property. The property is located on Plots 32 – 54, Olivantvlei, South of Johannesburg. The property is now being developed into a SAFA National Technical Centre ("the Centre"). The developments at the Centre will result in both significant cost-savings and potential revenue generation opportunities for the Association. The proposed developments will include construction of football pitches, sports medicine (including gym and rehabilitation pool), offices, academy facilities, additional accommodation units and conference centre. The Association will also continue to operate the Fun Valley business which is leisure and entertainment business. Historically the business has been quite profitable and we foresee that this trend will continue into the foreseeable future.

#### Financial asset

Network Healthcare Holdings Limited ("Netcare") established the Healthy Lifestyle Trust as part of its Broad Based Black Economic Empowerment initiative. The Association was allocated 4 million trust units. This investment has been accounted for in terms of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement". Refer to note 8 for further details.

The Netcare shares will be retained by the Association since this is viewed as a strategic investment for future benefits. Management also continues to engage with Netcare in a bid to maximise mutual benefits from this strategic partnership.

#### Group Annual Financial Statements

The Association has consolidated some of its subsidiaries and the reasons for this are set out below.

#### Africa Cup of Nations 2013 Local Organising Committee South Africa NPC

##### *Nature of activities and consolidation*

The Africa Cup of Nations 2013 Local Organising Committee South Africa NPC was established to organise and host the Orange Africa Cup of Nations 2013 tournament in South Africa in 2013 and the African Nations Championship in 2014 ("CHAN"). The Association was granted the rights by Confederation Africaine de Football ("CAF") to host these tournaments and thereafter ceded these rights to the Africa Cup of Nations 2013 Local Organising Committee South Africa NPC ("the LOC"). The Association is the sole member of this entity and has control over the LOC. The government was the major funder. This entity has therefore been consolidated. This entity is currently winding down operations.

#### The South African Football Association Development Agency Trust

The Association has a 100% interest in the South African Football Association Development Agency ("the Development Agency"). This entity was formed to implement and source funding the Technical Master Plan ("TMP"). The TMP focuses on the development drive of the Association. This entity has been consolidated in the Group Financial Statements.

#### SA Infrastructure Development Foundation Trust

The Association has a 100% (one hundred per cent) shareholding in SA Infrastructure Development Foundation ("the Foundation"). The Foundation was established to rollout the infrastructure, mainly artificial turfs, for the benefit of football. This entity has been consolidated in the Group Financial Statements. On 24 June 2016, the Trustees agreed to dissolve the Trust.

## South African Football Association

### Report of the National Executive Committee

*for the year ended 30 June 2016 (continued)*

#### Taxation matters

##### *Tax status*

On the 3rd June 2010, the association was approved by the South African Revenue Services ("SARS") as a public benefit organisation ("PBO") in terms of Section 30(3) of the Income Tax Act ("the Act"). This means that annual receipts and accruals will therefore be subject to section 10(1)(cN) of the Act and receipts and accruals from trading or business activities which fall outside the parameters of section 10(1)(cN) will be subject to tax. This approval means that more funds will now be available for the development of football which is in line with the key objectives of the association.

#### Addresses

Business address: SAFA House  
76 Nasrec Road  
Nasrec Ext 3  
Johannesburg 2000

Postal address: PO Box 910  
Johannesburg  
2000

#### Subsequent events

No significant events have occurred after the 30 June 2016 that will have an impact on the reported financial results.

#### Auditors

The Association's auditors are KPMG Inc. and were appointed in terms of paragraph 9.13 of the Association's Statutes on 01 October 2011.

# SPARK BRILLIANCE

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# Independent auditor's report to the members of the South African Football Association



**KPMG Inc**  
KPMG Crescent  
85 Empire Road, Parktown, 2193  
Private Bag 9, Parkview, 2122, South Africa

Telephone +27 (0)11 647 7111  
Fax +27 (0)11 647 8000  
Docex 472 Johannesburg

## Independent auditor's report

### To the members of the South African Football Association

We have audited the group financial statements and financial statements of the South African Football Association, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 55.

#### *National Executive Committee's responsibility for the financial statements*

The National Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the National Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of South African Football Association at 30 June 2016, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### *Other reports not included in audit opinion*

As part of our audit of the financial statements for the year ended 30 June 2016, we have read the National Executive Committee's statement on corporate governance, the composition of the National Executive Committee and the Report of the National Executive Committee for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the National Executive Committee. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express any opinions thereon.

#### **KPMG Inc.**

Per N Keshav  
Chartered Accountant (SA)  
Registered Auditor  
Director  
5 December 2016

KPMG Inc is a company incorporated under the South African Companies Act and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG Inc is a Registered Auditor, in public practice, in terms of the Auditing Profession Act, 26 of 2005.

Registration number 1999/021543/21

Policy Board  
Chief Executive: TH Hoole

Executive Directors: M Letsitsi, SL Louw, NKS Malaba,  
M Oddy, CAT Smit

Other Directors: ZA Beseti, LP Fourie, N Fubu,  
AH Jaffer (Chairman of the Board), FA Karreem,  
ME Magondo, F Mall, GM Pickering,  
JN Pierce

The company's principal place of business is at KPMG Crescent,  
85 Empire Road, Parktown, where a list of the directors' names is  
available for inspection.

## Annual Financial Statements

## South African Football Association

## Statements of comprehensive income for the year ended 30 June 2016

		Group		Association	
	Note	2016 R	2015 R	2016 R	2015 R
<b>Revenue</b>					
Ticketing revenue		297 544	6 950 683	297 544	6 950 683
Confédération Africaine de Football ("CAF") grants		–	1 670 015	–	–
Television broadcasting rights		98 897 084	76 735 955	98 897 084	76 735 955
Other grants		–	9 634 662	–	768 778
Host Cities' income		5 691 770	15 890 100	5 691 770	15 890 100
Sponsorship income		141 666 250	139 105 040	118 183 998	124 120 031
Rental income		180 495	86 500	180 495	86 500
2010 FIFA World Cup Legacy Trust – grants		52 933 510	94 938 170	52 444 036	94 938 170
Technical Centre – day visitors and use of facilities		6 384 487	–	6 384 487	–
		306 051 140	345 011 125	282 079 414	319 490 217
<b>Expenses</b>		(345 264 158)	(314 324 463)	(323 995 180)	(282 780 401)
CHAN/AFCON Tournament expenses		–	(2 314 969)	–	–
National Team costs		(87 891 000)	(97 396 780)	(80 107 623)	(97 396 780)
Competition and leagues costs		(29 115 891)	(25 105 736)	(29 115 891)	(25 105 736)
Football development costs		(35 348 405)	(25 365 526)	(16 692 762)	(17 720 941)
Governance costs		(9 005 584)	(15 834 469)	(15 834 469)	(15 834 469)
Technical Centre		(3 956 837)	–	(3 956 837)	–
Other administration costs		(179 946 441)	(148 306 983)	(185 116 483)	(126 722 475)
<b>(Deficit)/surplus from operations</b>	3	(39 213 018)	30 686 662	(41 915 766)	36 709 816
(Decrease)/increase in fair value of financial asset		(6 323 285)	6 835 205	(6 323 285)	6 835 205
(Loss)/profit on sale of non-current assets and assets classified as held for sale		(578 688)	2 063 117	(578 688)	2 063 117
Other income		2 371 127	2 343 803	2 371 127	1 592 564
Finance costs	4	(1 199 268)	(1 428 072)	(1 197 061)	(1 399 633)
Finance income	4	2 614 063	239 432	2 481 591	174 802
<b>(Loss)/profit before taxation</b>		(42 329 069)	40 740 147	(45 162 082)	45 975 871
Taxation	5	–	–	–	–
<b>(Loss)/profit for the year</b>		(42 329 069)	40 740 147	(45 162 082)	45 975 871
Other comprehensive income		–	–	–	–
<b>Total comprehensive income</b>		(42 329 069)	40 740 147	(45 162 082)	45 975 871

## South African Football Association

### Statements of financial position *at 30 June 2016*

		Group		Association	
	Note	2016 R	2015 R	2016 R	2015 R
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	100 383 376	114 396 358	100 358 849	114 351 018
Financial asset	8	25 944 130	32 267 415	25 944 130	32 267 415
Intangible asset	9	5 000 000	5 000 000	5 000 000	5 000 000
Investment in subsidiaries	10	–	–	–	–
<b>Total non-current assets</b>		<b>131 327 506</b>	151 663 773	<b>131 302 979</b>	151 618 433
<b>Current assets</b>					
Trade and other receivables	11	50 582 099	35 664 645	40 149 556	29 966 134
Bank balances and cash		23 437 632	87 431 640	20 349 833	82 470 515
<b>Total current assets</b>		<b>74 019 731</b>	123 096 285	<b>60 499 389</b>	112 436 649
<b>Total assets</b>		<b>205 347 237</b>	274 760 058	<b>191 802 368</b>	264 055 082
<b>Reserves</b>					
Retained income		6 308 472	48 637 541	6 438 332	51 600 414
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Interest-bearing loans	12	1 952 192	5 000 000	1 952 192	5 000 000
<b>Total non-current liabilities</b>		<b>1 952 192</b>	5 000 000	<b>1 952 192</b>	5 000 000
<b>Current liabilities</b>					
Trade and other payables	13	113 193 163	145 529 079	100 384 614	133 054 563
Short-term portion of interest-bearing loans	12	11 457 011	9 232 929	11 457 011	9 232 929
Income received in advance	14	72 436 399	66 360 509	71 570 219	65 167 176
<b>Total current liabilities</b>		<b>197 086 573</b>	221 122 517	<b>183 411 844</b>	207 454 668
<b>Total reserves and liabilities</b>		<b>205 347 237</b>	274 760 058	<b>191 802 368</b>	264 055 082

## Annual Financial Statements

## South African Football Association

### Statements of changes in equity *for the year ended 30 June 2016*

	Retained income R
<b>Group</b>	
<b>Balance at 30 June 2014</b>	7 897 394
Profit for the year	40 740 147
Other comprehensive income	–
<b>Balance at 30 June 2015</b>	48 637 541
Loss for the year	<b>(42 329 069)</b>
Other comprehensive income	–
<b>Balance at 30 June 2016</b>	<b>6 308 472</b>
<b>Association</b>	
<b>Balance at 30 June 2014</b>	5 624 543
Profit for the year	49 975 872
Other comprehensive income	–
<b>Balance at 30 June 2015</b>	51 600 414
Loss for the year	<b>(45 162 082)</b>
Other comprehensive income	–
<b>Balance at 30 June 2016</b>	<b>6 438 332</b>

## South African Football Association

### Statements of cash flows for the year ended 30 June 2016

	Note	Group		Association	
		2015 R	2014 R	2015 R	2014 R
<b>Operating activities:</b>					
Cash (utilised by)/generated from operations	15	(56 292 179)	137 919 972	(54 288 588)	136 510 855
Finance income		2 614 063	239 432	2 481 591	174 802
Finance costs		(1 199 268)	(1 428 072)	(1 197 061)	(1 399 633)
<b>Net cash (utilised by)/generated from operating activities</b>		<b>(54 877 382)</b>	136 731 332	<b>53 004 058</b>	135 286 024
<b>Investing activities:</b>					
Additions to property, plant and equipment	16	(8 426 250)	(70 413 850)	(8 426 250)	(70 352 250)
Proceeds from disposal of property, plant and equipment	17	133 352	5 356 333	133 352	5 356 333
<b>Net cash utilised by investing activities</b>		<b>(8 292 898)</b>	(65 057 517)	<b>(8 292 898)</b>	(64 995 917)
<b>Financing activities:</b>					
Decrease in loans		(823 726)	(8 723 538)	(823 726)	(8 723 538)
<b>Net outflow from financing activities</b>		<b>(823 726)</b>	(8 723 538)	<b>(823 726)</b>	(8 723 538)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(63 994 008)</b>	62 950 277	<b>(62 120 682)</b>	61 566 569
Cash and cash equivalents at beginning of the year		87 431 640	24 481 363	82 470 515	20 903 946
<b>Cash and cash equivalents at end of the year</b>		<b>23 437 632</b>	87 431 640	<b>20 349 833</b>	82 470 515

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016

#### 1. Reporting entity

The South African Football Association ("Association") is domiciled in South Africa. The Association and Group financial statements for the year ended 30 June 2016 comprise the Association and its subsidiaries (together referred to as the "Group"). The Association is the governing body for football in South Africa. The main aim and objectives are to promote, advance, administer, co-ordinate and generally encourage the game of football in South Africa.

#### 1.2 Basis of preparation

These Group financial statements and financial statements are presented in South African Rands which is the functional currency of the Group and the Association and the presentation currency for the financial statements.

The Group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on the historical cost basis, except for the revaluation of certain financial instruments which are stated at fair value.

#### 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Group financial statements and Association financial statements are set out below and are consistent in all material respects for the Group with those applied in the previous year.

#### 2.1 Property, plant and equipment

Property, plant and equipment that have been acquired is stated at historical cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment that is received as donations are initially recorded at the fair value of the assets received.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives to their residual values, using the straight line method. The following rates are applied:

Buses	20%
Computer equipment	33,3%
Furniture and fittings	16,7%
General equipment	20%
Leasehold property – SAFA House	5%
Motor vehicles	20%
Office equipment	20%
Buildings	5%

Land and buildings are stated at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the cost of the asset. Depreciation is charged so as to write-off the cost of property, plant and equipment over their expected useful life using the straight-line basis. Land is not depreciated. The expected useful lives, residual values and depreciation methods are reviewed at each reporting date.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.1 Property, plant and equipment (continued)

Subsequent expenditure is recognised at cost in the carrying amount of property, plant and equipment if it is probable that future economic benefits embodied in the item will flow to the Association and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense.

Leasehold improvements are capitalised and written-off at 5% per annum. The expected useful lives, residual values and depreciation method are reviewed at each reporting date. The effect of any changes in estimate is accounted for in the year the change occurs.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### 2.2 Trademarks

Trademarks acquired by the Group, which have an indefinite useful life, are measured at the cost less accumulated impairment losses. These trademarks are not amortised but are tested annually for impairment.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

##### 2.3 Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Any goodwill that arises is tested annually for impairment and any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

##### 2.4 Basis of consolidation

###### *Investment in subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group financial statements incorporate the assets, liabilities and results of the operations of the Association and its subsidiaries. The results of subsidiaries acquired and disposed of during a financial year are included from the effective dates of acquisition and to the effective dates of disposal.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.4 Basis of consolidation (continued)

###### *Transactions eliminated on consolidation*

Intra group balances and any unrealised gains and losses or income and expenses arising from intra group transactions, are eliminated in preparing the consolidated financial statements.

##### 2.5 Impairment

At each reporting date, the Group reviews the carrying amounts of its tangible, trademarks and goodwill to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately in profit or loss.

##### 2.6 Income received in advance

Funds received from sponsors and other contract suppliers, which do not meet the recognition of revenue associated with contracts, are deferred and recorded as "income received in advance".

##### 2.7 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group has become party to the contractual provisions of the instrument.

###### *Financial assets at fair value through profit or loss*

The financial asset is classified as at the fair value through profit or loss as designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's investment strategy. Financial assets at fair value through profit and loss are measured at fair value and changes therein, attributable transaction costs, dividend income and gains and losses on sale of shares are recognised in profit or loss.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.7 Financial instruments (continued)

###### *Trade and other receivables*

Trade and other receivables are measured at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts.

###### *Trade and other payables*

Trade and other payables are measured at amortised cost.

###### *Financial liabilities and equity*

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

###### *Borrowings*

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the year in which they arise.

###### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and bank overdrafts. Bank overdrafts that are repayable on demand and form part of an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### 2.8 Foreign exchange

Transactions in currencies other than the Group's functional currency (Rands) are initially recorded at the rates of exchange ruling on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at rates at reporting date.

Exchange rate differences arising from the settlement of monetary items or on reporting the Group's monetary items at rates different from those at which they are initially recorded are recognised as profit or loss in the period in which they arise.

##### 2.9 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue comprises sponsorship revenue from various sponsors, sale of television broadcasting rights, ticket sales, income from Confederation Africaine de Football ("CAF"), income for Host Cities, royalties, gate revenue from competitions, club affiliation fees, advertising fees, government and other grants and the cash equivalent value of non-cash items supplied to the Group.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.9 Revenue recognition (continued)

Revenue from sponsors and others, which is receivable in terms of contracts, is recognised on a straight-line basis over the term of such contracts.

Revenue received from affiliation, match and other fees is recognised in profit or loss when the Group is entitled to such revenue.

Revenue received from Confederation Africaine de Football ("CAF") in respect of the national teams qualification in terms of CAF tournament is recognised in profit or loss once the event has occurred and the group is entitled to such revenue.

Grants that compensate the Group for expenses incurred are recognised in the profit or loss as other income on a systematic basis in the period which the expenses are recognised.

Revenue in respect of ticket sales is accounted for when the risks and rewards of ownership of the tickets is transferred to the buyer and it is probable that economic benefits will flow to the Group.

Government grants are recognised in profit or loss on a systematic basis in the period in which the expense is recognised and there is reasonable assurance that the entity will comply with the conditions attached and the grant will be received.

The Group recognises a grant related to an asset on a business acquisition in profit or loss when the Group has complied with the conditions attached to the grant and the grant becomes receivable.

Revenue from television broadcasting rights are recognised when the relevant event is broadcast to the public and there is reasonable assurance that the Group will comply with the conditions attached to the broadcasting rights.

Revenue from CAF for share of sponsorship income is recognised in profit or loss when the Group is entitled to such revenue and there is reasonable assurance that the entity complies with the conditions attached to the share of income.

Revenue from Host Cities for sponsorship of events is recognised in the period in which the event takes place.

Recoveries from Host Cities are offset against the related expenses that have been incurred.

Revenue from the technical centre comprises accommodation facilities, rental and daily visitors' entrance fees and is recognised when the services are provided.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at the lower fair value and the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, which represent the difference between the total minimum lease payments and the present value of the minimum lease payments, are recognised in profit or loss over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each reporting period.

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

##### 2.11 Finance income and expenses

Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is probable that such income will accrue to the Group.

##### 2.12 Taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Current tax is recognised as an expense or income in profit or loss, except when it relates to items recognised directly to equity or other comprehensive income, in which case the tax is also recognised directly in equity, or other comprehensive income or where they are from the initial accounting for a business combination.

##### 2.13 Employee benefits

###### Current employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The accruals for employee entitlements to wages, salaries and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The accruals have been calculated at undiscounted amounts based on current wage and salary rates.

###### Retirement benefits

Contributions to retirement contribution funds are recognised in profit or loss in the year when the employees have rendered service entitling them to the contributions.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 2. Summary of significant accounting policies (continued)

##### 2.14 Significant accounting judgements and estimates

The preparation of the Group financial statements and financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the notes.

##### *Assets lives and residual values*

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

##### *Impairment of assets*

Property, plant and equipment are considered for impairment if there is a reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself and specific usage requirements.

##### *Valuation of financial asset*

The Group's interest in the financial asset is a form of trust units which is accounted for as options and equity shares.

The valuation of options has been performed by independent valuers based on the Monte Carlo method of simulation. The simulation method is dependent on a number of variables including share price volatility, interest rates and dividends. The equity shares are valued at the market value at reporting date.

##### *Contingent liabilities*

Management applies its judgement to the fact patterns and advice it receives from its attorneys, advocates and other advisors in assessing if an obligation is probable, more likely than not, or remote. This judgement application is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

##### *Revenue recognition*

Refer revenue recognition note under accounting policies.

##### *Trademarks*

The Association's management performs annual assessments as to possible impairments of the Bafana Bafana trademark taking into estimated fair value.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
<b>3. (Deficit)/surplus from operations</b>				
This is arrived at after taking the following items into account:				
Auditors' remuneration:				
– current year	930 000	1 029 995	870 000	896 500
– prior year under provision	367 500	–	367 500	–
Accounting fees	11 500 000	7 700 000	11 500 000	7 700 000
Compensation of key management personnel – short term and termination benefits	12 375 978	9 685 415	12 375 978	7 099 845
National Executive Committee	5 652 994	5 552 743	5 652 994	5 552 743
– Honoraria	4 450 940	4 199 000	4 450 940	4 199 000
– Allowances	1 202 054	1 353 743	1 202 054	1 353 743
Depreciation	13 683 792	13 120 807	13 662 979	13 104 547
– Furniture and fittings	514 828	336 707	514 828	336 707
– Leasehold property – SAFA House	3 030 778	3 030 783	3 030 778	3 030 783
– Land and buildings	2 702 380	–	2 702 380	–
– Motor vehicles	1 769 846	3 440 676	1 769 846	3 440 676
– Office equipment	24 081	44 531	24 081	44 531
– Computer equipment	605 802	229 598	584 989	213 338
– General equipment	120 633	179 105	120 633	179 105
– Buses	4 915 444	5 859 407	4 915 444	5 859 407
Legal and consulting fees	7 571 435	8 922 828	7 571 435	8 922 828
Loss/(profit) on disposal of property, plant and equipment	(578 688)	(2 063 117)	578 688	(2 063 117)
Other employee costs	48 698 490	72 084 833	45 352 866	51 099 220
<b>4. Finance (costs)/income</b>				
<i>Finance costs</i>				
Interest paid – bank and finance charges	(49 746)	(281 403)	(47 539)	(252 964)
Interest paid – suppliers	(678 448)	(529 272)	(678 448)	(529 272)
Foreign exchange profit	31 939	41 288	31 939	41 288
Interest paid – 2010 FIFA World Cup Legacy Trust	(503 013)	(658 685)	(503 013)	(658 685)
	(1 199 268)	(1 428 072)	(1 197 061)	(1 399 633)
<i>Finance income</i>				
Interest received – bank and other	2 614 063	239 432	2 481 591	174 802

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 5. Taxation

On the 3 June 2010, the Association was approved by the South African Revenue Services ("SARS") as a public benefit organisation ("PBO") in terms of Section 30(3) of the Income Tax Act ("the Act"). This means that annual receipts and accruals in relation to the principle business of development of amateur football will therefore be subject to section 10(1)(cN) of the Act and receipts and accruals, from trading or business activities which fall outside the parameters of section 10(1)(cN) will be subject to tax. However, Section 11 (a) and 11 (E) provides for a deduction in respect of non-capital expenditure whether business or development related.

The Africa Cup of Nations 2013 Local Organising Committee South Africa NPC, the South African Football Association Infrastructure Development Foundation and The South African Football Association Development Agency Trust have also been approved by SARS as a public benefit organisation ("PBO's") in terms of Section 30 of the Income Tax Act and the receipts and accruals will therefore not be subject to section 10(1)(cN) of the Act.

No provision has been made for 2016 taxation as the Association and its subsidiaries are in a computed loss position. A deferred tax asset in respect of computed tax losses has not been recognised as it is not probable that future taxable profit will be available against which the Group could utilise this asset.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

6. Property, plant and equipment										
Group										
		Land and buildings	Leasehold property - SAFA House	Furniture and fittings	Motor vehicles	Office equipment	Computer equipment	General equipment	Buses	Total
2016		R	R	R	R	R	R	R	R	R
Cost										
At 01 July 2015		65 500 000	60 615 571	3 892 843	19 124 625	495 700	9 778 400	1 692 992	30 331 097	191 431 228
Additions		7 342 425	–	180 089	168 160	–	485 704	249 872	–	8 426 250
Adjustment*		(8 043 400)	–	–	–	–	–	–	–	(8 043 400)
Disposals		–	–	–	(276 600)	–	(1 142 480)	–	–	(1 419 080)
At 30 June 2016		64 799 025	60 615 571	4 072 932	19 016 185	495 700	9 778 400	1 692 992	30 331 097	190 394 998
Accumulated depreciation and impairment										
At 01 July 2015		–	23 885 986	1 915 326	16 500 396	454 225	8 431 126	1 537 805	24 310 006	77 034 870
Depreciation		2 702 380	3 030 778	514 828	1 769 846	24 081	605 802	120 633	4 915 444	13 683 792
Disposals		–	–	–	(262 770)	–	(444 270)	–	–	(707 040)
At 30 June 2016		2 702 380	26 916 764	2 430 154	18 007 472	478 306	8 592 658	1 658 438	29 225 450	90 011 622
Carrying value										
At 30 June 2016		62 096 645	33 698 807	1 642 778	1 008 713	17 394	528 966	284 426	1 105 647	100 383 376
At 01 July 2015		65 500 000	36 729 585	1 977 517	2 624 229	41 475	1 347 274	155 187	6 021 091	114 396 358

\* Adjustment for prior year VAT included in additions now claimed as VAT input.

SAFA House has been erected on land that is not owned by the Association and therefore disclosed as leasehold property. Refer to the National Executive Committee Report regarding title. In the opinion of the National Executive Committee, the market value of SAFA House is significantly higher than the carrying value. Land and buildings relates to the National Technical Centre (Fun Valley) property situated at portion 45 at Olifantsvlei 316, Gauteng.

## South African Football Association

## Notes to the financial statements for the year ended 30 June 2016 (continued)

## 6. Property, plant and equipment (continued)

## Association

2016	Land and buildings R	Leasehold property - SAFA House R	Furniture and fittings R	Motor vehicles R	Office equipment R	Computer equipment R	General equipment R	Buses R	Total R
<b>Cost</b>									
At 01 July 2015	65 500 000	60 615 571	3 892 843	19 124 625	495 700	9 716 800	1 692 992	30 331 097	191 369 628
Additions	7 342 425	-	180 089	168 160	-	485 704	249 872	-	8 426 250
Adjustments *	(8 043 400)	-	-	-	-	-	-	-	(8 043 400)
Disposals	-	-	-	(276 600)	-	(1 142 480)	-	-	(1 419 080)
<b>At 30 June 2016</b>	<b>64 799 025</b>	<b>60 615 571</b>	<b>4 072 932</b>	<b>19 124 625</b>	<b>495 700</b>	<b>9 060 024</b>	<b>1 942 864</b>	<b>30 331 097</b>	<b>190 333 398</b>
<b>Accumulated depreciation and impairment</b>									
At 01 July 2015	-	23 885 986	1 915 326	16 500 396	454 225	8 414 866	1 537 805	24 310 006	77 018 610
Depreciation	2 702 380	3 030 783	514 828	1 769 846	24 081	584 989	120 633	4 915 444	13 662 979
Disposals	-	-	-	(262 770)	-	(444 270)	-	-	(707 040)
<b>At 30 June 2016</b>	<b>2 702 380</b>	<b>26 916 764</b>	<b>2 430 154</b>	<b>18 007 472</b>	<b>478 306</b>	<b>8 555 585</b>	<b>1 658 438</b>	<b>29 225 450</b>	<b>89 974 549</b>
<b>Carrying value</b>									
<b>At 30 June 2016</b>	<b>62 096 645</b>	<b>33 698 807</b>	<b>1 642 778</b>	<b>1 008 713</b>	<b>17 394</b>	<b>504 439</b>	<b>284 426</b>	<b>1 105 647</b>	<b>100 358 849</b>
At 01 July 2015	65 500 000	36 729 585	1 977 517	2 624 229	41 475	1 301 934	155 187	6 021 091	114 351 018

\* Adjustment for prior year VAT included in additions now claimed as VAT input.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 6. Property, plant and equipment (continued)

##### Group (continued)

	Land and buildings R	Leasehold property - SAFA House R	Furniture and fittings R	Motor vehicles R	Office equipment R	Computer equipment R	General equipment R	Buses R	Total R
<b>2015</b>									
<b>Cost</b>									
At 01 July 2014	–	60 615 571	2 201 161	17 949 481	475 112	8 399 688	1 637 372	32 382 844	123 661 229
Additions	65 500 000	–	1 691 682	1 175 144	20 588	1 378 712	55 620	592 104	70 413 850
Disposals	–	–	–	–	–	–	–	(2 643 851)	(2 643 851)
<b>At 30 June 2015</b>	<b>65 500 000</b>	<b>60 615 571</b>	<b>3 892 843</b>	<b>19 124 625</b>	<b>495 700</b>	<b>9 778 400</b>	<b>1 692 992</b>	<b>30 331 097</b>	<b>191 431 228</b>
<b>Accumulated depreciation and impairment</b>									
At 01 July 2014	–	20 855 203	1 578 619	13 059 720	409 694	8 201 528	1 358 700	21 094 450	66 557 914
Depreciation	–	3 030 783	336 707	3 440 676	44 531	229 598	179 105	5 859 407	13 120 807
Disposals	–	–	–	–	–	–	–	(2 643 851)	(2 643 851)
<b>At 30 June 2015</b>	<b>–</b>	<b>23 885 986</b>	<b>1 915 326</b>	<b>16 500 396</b>	<b>454 225</b>	<b>8 431 126</b>	<b>1 537 805</b>	<b>24 310 006</b>	<b>77 034 870</b>
<b>Carrying value</b>									
<b>At 30 June 2015</b>	<b>65 500 000</b>	<b>36 729 585</b>	<b>1 977 517</b>	<b>2 624 229</b>	<b>41 475</b>	<b>1 347 274</b>	<b>155 187</b>	<b>6 021 091</b>	<b>114 396 358</b>
At 01 July 2014	–	39 760 368	622 542	4 889 761	65 418	198 160	278 672	11 288 394	57 103 315

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**Not for Sale to Persons Under the Age of 18.**

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 6. Property, plant and equipment (continued)

##### Association (continued)

	Land and buildings R	Leasehold property - SAFA House R	Furniture and fittings R	Motor vehicles R	Office equipment R	Computer equipment R	General equipment R	Buses R	Total R
<b>2015</b>									
<b>Cost</b>									
At 01 July 2014	–	60 615 571	2 201 161	17 949 481	475 112	8 399 688	1 637 372	32 382 844	123 661 229
Additions	65 500 000	–	1 691 682	1 175 144	20 588	1 317 112	55 620	592 104	70 352 250
Disposals	–	–	–	–	–	–	–	(2 643 851)	(2 643 851)
<b>At 30 June 2015</b>	<b>65 500 000</b>	<b>60 615 571</b>	<b>3 892 843</b>	<b>19 124 625</b>	<b>495 700</b>	<b>9 716 800</b>	<b>1 692 992</b>	<b>30 331 097</b>	<b>191 369 628</b>
<b>Accumulated depreciation and impairment</b>									
At 01 July 2014	–	20 855 203	1 578 619	13 059 720	409 694	8 201 528	1 358 700	21 094 450	66 557 914
Depreciation	–	3 030 783	336 707	3 440 676	44 531	213 338	179 105	5 859 407	13 104 547
Disposals	–	–	–	–	–	–	–	(2 643 851)	(2 643 851)
<b>At 30 June 2015</b>	<b>–</b>	<b>23 885 986</b>	<b>1 915 326</b>	<b>16 500 396</b>	<b>454 225</b>	<b>8 414 866</b>	<b>1 537 805</b>	<b>24 310 006</b>	<b>77 018 610</b>
<b>Carrying value</b>									
<b>At 30 June 2015</b>	<b>65 500 000</b>	<b>36 729 585</b>	<b>1 977 517</b>	<b>2 624 229</b>	<b>41 475</b>	<b>1 301 934</b>	<b>155 187</b>	<b>6 021 091</b>	<b>114 351 018</b>
At 01 July 2014	–	39 760 368	622 542	4 889 761	65 418	198 160	278 672	11 288 394	57 103 315

## Annual Financial Statements

## South African Football Association

## Notes to the financial statements for the year ended 30 June 2016 (continued)

## 7. Acquisition of business

In the prior year on 29 June 2015 the Group acquired National Technical Centre property and business (Fun Valley) for a total consideration of R66.5 million.

On acquisition of this property and business the group assessed the fair value of assets and liabilities as required in terms of *IFRS3 Business Combinations*.

	Fair value on acquisition	
	2016 R	2015 R
Land and buildings	57 456 600	65 500 000
Equipment	1 000 000	1 000 000
VAT receivable	8 043 400	–
	<hr/>	<hr/>
Fair value of identifiable assets and liabilities	66 500 000	66 500 000
Consideration transferred	66 500 000	66 500 000
	<hr/>	<hr/>
Goodwill/bargain purchase	–	–

Asset/liability	Valuation technique	Significant unobservable date
Land and buildings	Market comparison technique and cost technique – the valuation model considers market prices for similar items when available.	Remaining useful lives

The acquisition values were finalised in the current year and there were no further adjustments required.

## 8. Financial asset

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
<b>Fair value through profit or loss</b>				
Fair value at beginning of the year	32 267 415	25 432 210	32 267 415	25 432 210
(Decrease)/increase in fair value during the year	(6 323 285)	6 835 205	(6 323 285)	6 835 205
	<hr/>	<hr/>	<hr/>	<hr/>
Fair value at end of the year	25 944 130	32 267 415	25 944 130	32 267 415
	<hr/>	<hr/>	<hr/>	<hr/>
Financial assets measured at fair value comprises:				
Equity shares	17 260 220	16 537 415	17 260 220	16 537 415
Trust units	8 683 910	15 730 000	8 683 910	15 730 000
	<hr/>	<hr/>	<hr/>	<hr/>
	25 944 130	32 267 415	25 944 130	32 267 415

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 8. Financial asset (continued)

Network Healthcare Holdings Limited ("Netcare") established the Healthy Lifestyle Trust as part of its Broad Based Black Economic Empowerment initiative. SAFA is a beneficiary of the Trust and was allocated 4 million trust units linked to a corresponding number of Netcare shares. During the current financial year the Association owned 553 567 equity securities and is entitled to 450 000 trust units. The equity shares were valued at reporting date at the market value of the shares and the trust units were valued by independent valuers based on the Monte Carlo simulation method. The vesting of these trust units are subject to certain qualifying criteria and vesting conditions and the Association and Trustees are satisfied that the trust units will vest on due dates.

#### 9. Intangible asset

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
Bafana trademark	5 000 000	5 000 000	5 000 000	5 000 000

The trademark was acquired in 2011 and the Association has sole rights and exclusive usage. The trademark is considered to have an indefinite useful life as it is associated with the senior men's national football team. The name is widely known and popular. Football is one of the most popular sports in South Africa and internationally and therefore the team will continue to receive the support of the majority of people, including the Government for many years. Management considers the fair value of the trademark to be excess of its carrying value.

#### 10. Investment in subsidiaries

##### At cost less impairment

Name of subsidiary	Proportion of ownership %	Association	
		2016 R	2015 R
SAFA Infrastructure Development Foundation	100	–	–
Africa Cup of Nations 2013 Local Organising Committee South Africa NPC	100	–	–
The South African Football Association Development Agency	100	–	–
		–	–
National Executive Committee valuation		–	–

## Annual Financial Statements

## South African Football Association

## Notes to the financial statements for the year ended 30 June 2016 (continued)

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
<b>11. Trade and other receivables</b>				
Sponsorships and related income	<b>29 762 721</b>	33 500 633	<b>19 330 177</b>	27 802 123
Value added taxation	<b>8 115 549</b>	–	<b>8 115 549</b>	–
Other receivables	<b>12 703 829</b>	2 164 012	<b>12 703 830</b>	2 164 011
	<b>50 582 099</b>	35 664 645	<b>40 149 556</b>	29 966 134

Trade and other receivables are shown net of a provision for doubtful debts of R6 094 663 (2015 – R8 618 326) for the Group and R3 970 805 (2015: R2 066 122) for the Association.

The National Executive Committee considers that the carrying amount of trade and other receivables approximate their fair values.

The average credit period on receivables is 30 days. No interest is charged on trade receivables from the date of invoice. Generally, trade receivables more than 120 days old are provided for with reference to past default experience.

There are no receivables which are past due at the reporting date for which the Group has not provided. There has not been significant change in credit quality and amounts are still considered recoverable. The Group does not hold any collateral over these balances.

*Ageing of trade receivables*

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
Not past due	<b>3 543 055</b>	17 950 561	<b>740 369</b>	13 583 680
Past due 30 – 90 days	<b>14 424 106</b>	2 664 720	<b>8 313 808</b>	2 664 720
120 + day	<b>11 795 560</b>	12 885 352	<b>10 276 000</b>	11 553 723
	<b>29 762 721</b>	33 500 633	<b>19 330 177</b>	27 802 123
Movement in the provision for impairment:				
Balance at beginning of the year	<b>8 618 326</b>	6 342 268	<b>2 061 222</b>	2 024 476
Net movement in provision for impairment	<b>(2 523 663)</b>	2 276 058	<b>1 909 583</b>	36 746
	<b>6 094 663</b>	8 618 326	<b>3 970 805</b>	2 061 222

The National Executive Committee believes that there is no further impairment required of receivables.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

	<b>Group</b>		<b>Association</b>	
	<b>2016 R</b>	<b>2015 R</b>	<b>2016 R</b>	<b>2015 R</b>
<b>12. Interest-bearing loans</b>				
Instalment sale – Mercedes Benz	<b>3 209 903</b>	–	<b>3 209 903</b>	–
Less: current portion included under current liabilities	<b>(1 257 711)</b>	–	<b>(1 257 711)</b>	–
	<b>1 952 192</b>	–	<b>1 952 192</b>	–
Tuks Sport Proprietary Limited	<b>1 199 300</b>	4 183 614	<b>1 199 300</b>	4 183 614
Less: current portion included under current liabilities	<b>(1 199 300)</b>	(4 183 614)	<b>(1 199 300)</b>	(4 183 614)
	–	–	–	–
The 2010 FIFA World Cup Legacy Trust	<b>9 000 000</b>	10 049 315	<b>9 000 000</b>	10 049 315
Less: current portion	<b>(9 000 000)</b>	(5 049 315)	<b>(9 000 000)</b>	(5 049 315)
	–	5 000 000	–	5 000 000
<b>Long-term portion</b>	<b>1 952 192</b>	5 000 000	<b>1 952 192</b>	5 000 000
<b>Current portion</b>	<b>11 457 011</b>	9 232 929 <sup>1</sup>	<b>11 457 011</b>	9 232 929

The instalment sale Mercedes Benz liability is secured over motor vehicles with a carrying value of R1 008 713. The monthly instalments is R1 548 036 per annum. Interest is payable at an average of 10.52% per annum.

The Tuks Sport Proprietary Limited loan, is unsecured bearing interest at 10.5% (2015 – 9%) per annum.

The 2010 FIFA World Cup Legacy Trust loan is unsecured bearing interest at 6% per annum. R2 million is payable on 30 June 2016 and 31 August 2016 and the balance of R5 million on 30 September 2016.

#### Minimum payments

	<b>Within 1 year R</b>	<b>2 – 5 years R</b>	<b>5 years and over R</b>	<b>Total R</b>
<b>2016</b>				
Total loans	<b>11 457 011</b>	<b>1 952 192</b>	–	<b>13 409 203</b>
<b>2015</b>				
Total loans	9 232 929	5 000 000	–	14 232 929

## Annual Financial Statements

## South African Football Association

## Notes to the financial statements for the year ended 30 June 2016 (continued)

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
<b>13. Trade and other payables</b>				
Trade payables	93 196 188	77 158 990	81 782 762	72 368 959
Sundry payables	16 155 130	61 031 109	15 361 914	53 346 624
Value Added Taxation	447 150	3 494 936	–	3 494 936
Salary-related payables	3 394 695	3 844 044	3 239 938	3 844 044
	<b>113 193 163</b>	<b>145 529 079</b>	<b>100 384 614</b>	<b>133 054 563</b>
<b>14. Income received in advance</b>				
FIFA Financial Assistance Programme	4 612 003	7 276 725	4 612 003	7 276 725
Lotto	4 369 280	–	4 369 280	–
PPC	–	400 000	–	–
Sasol Gert Sibande	–	150 000	–	–
South African Breweries Limited	14 119 479	7 731 476	14 118 479	7 731 476
South African Broadcasting Corporation Limited	11 833 615	23 032 098	11 833 615	23 032 098
The 2010 FIFA World Cup Legacy Trust	36 636 842	26 928 277	36 636 842	26 928 277
Total Sports Core funding	155 180	350 000	–	–
Total Sports – Football development	710 000	293 333	–	–
	<b>72 436 399</b>	<b>66 360 509</b>	<b>71 570 219</b>	<b>65 167 176</b>
<b>15. Cash (utilised by)/generated from operations</b>				
(Loss)/profit before taxation	(42 329 069)	40 740 147	(45 162 082)	45 975 871
Adjustments for:				
Depreciation for property, plant and equipment	13 683 792	13 120 807	13 662 979	13 104 547
Loss/(profit) on disposal of property, plant and equipment	578 688	(2 063 117)	578 688	(2 063 116)
Finance income	(2 614 063)	(239 432)	(2 481 591)	(174 802)
Finance costs	1 199 268	1 428 072	1 197 061	1 399 633
Decrease/(increase) in fair value of derivative financial asset	6 323 285	(6 835 205)	6 323 285	(6 835 205)
Operating (loss)/profit before working capital changes	(23 158 099)	46 151 272	(25 881 660)	51 407 028
VAT adjustment in property, plant and equipment	8 043 400	–	8 043 400	–
Adjustments for working capital changes: (Increase)/decrease in trade and other receivables	(14 917 454)	5 266 866	(10 183 422)	(5 273 828)
(Decrease)/increase in trade and other payables	(32 335 916)	64 097 612	(32 669 949)	66 301 689
Increase in income received in advance	6 075 890	22 404 222	6 403 043	24 076 066
	<b>(56 292 179)</b>	<b>137 919 972</b>	<b>(54 288 588)</b>	<b>136 510 855</b>

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

	Group		Association	
	2016 R	2015 R	2016 R	2015 R
<b>16. Additions to property, plant and equipment</b>				
Land and Buildings	7 342 425	65 500 000	7 342 425	65 500 000
Furniture and fittings	180 089	1 691 682	180 089	1 691 682
Motor Vehicles	168 160	1 175 744	168 160	1 175 744
Office Equipment	–	82 588	–	20 588
Computer equipment	485 704	1 317 112	485 704	1 317 112
General equipment	249 872	55 620	55 620	55 620
Buses	–	592 104	249 872	592 104
	<b>8 426 250</b>	<b>688 916</b>	<b>8 426 250</b>	<b>70 352 250</b>
<b>17. Proceeds on disposal of property, plant and equipment</b>				
Carrying value of property, plant and equipment for sale disposed	712 040	3 293 216	712 040	3 293 216
(Loss)/profit on disposal of property, plant and equipment	(578 688)	2 063 117	(578 688)	2 063 117
Proceeds on disposal of property, plant and equipment	<b>133 352</b>	<b>5 356 333</b>	<b>133 352</b>	<b>5 356 333</b>
<b>18. Related parties</b>				
<b>18.1 Related party balances</b>				
During the year the Association, in the ordinary course of business, entered into the following related party transactions.				
National Executive Committee –				
Receivable in respect of motor vehicles	<b>5166 821</b>	1 162 049	<b>5 166 821</b>	1 162 049
The amounts are settled by honoraria payable to members				
South African Football Association Development Agency amount due net of provision of R3 822 295			<b>1 788 053</b>	345 848
<b>18.2 Related party transactions</b>				
National Executive Committee	<b>5 652 994</b>	5 552 743	<b>5 652 994</b>	5 552 743
– Honoraria	<b>4 450 940</b>	4 199 000	<b>4 450 940</b>	4 199 000
– Allowances	<b>1 202 054</b>	1 353 743	<b>1 202 054</b>	1 353 743
Key management personnel remuneration	12 375 978	9 685 415	12 375 978	7 099 845

Related party transactions are defined as transactions with members of the National Executive Committee, sub committees and affiliated Associations over which there is significant influence or control.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 19. Post retirement benefits

The pension scheme has been registered in terms of the Pension Fund Act 24 of 1956. The scheme is a defined contribution plan. The South African Football Association makes monthly contributions to the scheme at a rate of 15% of members' salaries as defined in the rules of the scheme. The Association has no liability to the pension scheme as at 30 June 2016.

#### 20. Financial instruments

##### Overview

The Group has exposure to the following risks from its use of financial instruments:

Credit risk  
Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

##### Credit risk

Credit risk is the risk of financial loss to the Group if a sponsor, donor or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables.

##### *Trade and other receivables*

The Group on an ongoing basis seeks sponsors based on their public profile. Final agreements are entered into which set out the deliverables and conditions of the sponsorship.

Funding is obtained from Confederation Africaine de Football, FIFA and other sponsorships. Formal agreements are entered into which set out the terms and conditions of the funding.

The Group establishes an allowance for impairment for possible losses in respect of receivables.

The majority of the Group's sponsors and donors have been transacting with the Group since inception and there have been no major losses on trade receivables.

The Group establishes an allowance for impairment for possible losses in respect of trade and other receivables.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 20. Financial instruments (continued)

##### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial and other obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

In the case of cash flow difficulties, the Group's creditors are notified of the situation and remedial action put in place.

The Group however ensures that it has sufficient current assets which will realise in future to meet financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

	Carrying amount R	Contractual cash flows R	12 months or less R	1 to 5 years R	More than 5 years R
<b>2016</b>					
Trade and other payables	<b>113 193 163</b>	<b>113 193 163</b>	<b>113 193 163</b>	–	–
Interest-bearing loans	<b>13 409 203</b>	<b>13 604 123</b>	<b>11 457 011</b>	<b>2 147 112</b>	–
	<b>126 602 366</b>	<b>126 602 366</b>	<b>124 650 174</b>	<b>2 147 112</b>	
<b>2015</b>					
Trade and other payables	145 529 079	145 529 079	145 529 079	–	–
Interest-bearing loans	14 232 929	14 532 929	9 232 929	5 300 000	–
	159 762 008	160 532 929	154 762 008	5 300 000	–

##### Interest rate risk – sensitivity analysis

An increase of 100 basis points in interest rates would have increased the loss as follows:

	2016 R	2015 R
Loss for the year	<b>(11 992)</b>	(11 970)

A decrease of 100 basis points could have reduced the loss by a similar amount.

## Annual Financial Statements

## South African Football Association

## Notes to the financial statements for the year ended 30 June 2016 (continued)

## 20. Financial instruments (continued)

## Terms and debt repayment schedule

## Group and Association

The terms and conditions of interest-bearing loans were as follows:

	Currency	Nominal interest rate	Year of maturity	2016		2015	
				Fair value R	Carrying amount R	Fair value R	Carrying amount R
Instalment sale – Mercedes Benz	ZAR	10.52%	2018	3 209 903	3 209 903	–	–
Tuks Sport (Pty) Ltd	ZAR	10.50%	2017	1 199 300	1 199 300	4 183 614	4 183 614
2010 FIFA World Cup Legacy Trust	ZAR	6.00%	2016	9 000 000	9 000 000	10 049 315	10 049 315
Total non-interest and interest-bearing liabilities				13 409 203	13 409 203	14 232 929	14 232 929

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

## Fair value versus carrying amounts – Group

	Accounting classification	2016		2015	
		Carrying value R	Fair value R	Carrying value R	Fair value R
Financial asset	1	25 944 130	25 944 130	25 944 130	25 944 130
Trade and other receivables	2	50 582 099	50 582 099	35 664 645	35 664 645
Bank balances and cash	2	23 437 632	23 437 632	20 349 833	20 349 833
Interest-bearing loan	3	(13 409 203)	(13 409 203)	(14 232 929)	(14 232 929)
Trade and other payables	3	(113 193 163)	(113 193 163)	(145 529 079)	(145 529 079)
Income received in advance	3	(72 436 399)	(72 436 399)	(66 360 509)	(66 360 509)
		(99 074 904)	(99 074 904)	(144 163 909)	(144 163 909)

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 20. Financial instruments (continued)

*Fair value versus carrying amounts (continued)*

##### Accounting classification

1. Fair value through profit or loss.
2. Loans and receivables.
3. Financial liabilities.

##### Basis for determining fair values

The following summarises the significant methods and assumptions used estimating the fair values of financial instruments reflected in the table above.

##### *Non-current liabilities*

Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the applicable interest rate, which is in line with market rates, at the reporting date.

##### *Trade and other receivables/payables*

The fair value of trade and other receivables/payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

##### *Fair value hierarchy*

Level 1 Hierarchy represents unadjusted quotes prices in active markets for identical assets or liabilities.

Level 2 Hierarchy represents inputs that are unobservable for the asset either directly or indirectly.

##### *Valuation technique and significant observable inputs*

Equity shares – The valuation is based on the market price at 30 June 2016.

Trust units – The valuation is based on the Monte Carlo method of simulation. Unobservable inputs includes share price volatility, exercise price and interest rate fluctuations.

#### 21. Contingent liability

The Association was a defendant in a case where Fli-Afrika is claiming R14 million from the Association. This related to an agreement entered into in 2007 which intended to establish a joint venture relating to the 2010 FIFA World Cup packages. There was a subsequent settlement agreement in 2010 which cancelled the initial agreement.

The claim was subject to a court hearing in February 2016 however Fli-Afrika did not attend the court hearing. During the current year Fli-Afrika again pursued this matter and the matter was heard in the Johannesburg High Court from the 28 October to the 4 November 2016. We expect the court judgement to be delivered within the month of November 2016. Based on the court proceedings and legal advice received the National Executive Committee is of the opinion that it is confident that the Association will defend this case successfully.

## Annual Financial Statements

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 21. Contingent liability (continued)

The Association is a defendant in various cases relating to unfair dismissal charges. The cases have not been finalised, however based on legal advice received, the National Executive Committee is of the opinion that outcomes of these proceedings will have no effect on the Association's financial statements.

Based on opinion obtained from the legal advisors, the Association is of the opinion that the cases referred to above will be successfully defended. Accordingly no provision for the costs has been made in the financial statements.

#### 22. Standards and interpretations not yet effective

In terms of International Financial Reporting Standards the Group is required to include in its financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the reporting/issue date.

At the date of authorisation of the financial statements of the Group for the year ended 30 June 2016, the following applicable Standards and Interpretations were in issue but not yet effective:

Standard/Interpretation		Effective date Periods beginning on or after
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
Amendments to 4 standards	Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IAS 1	Disclosure Initiative	1 January 2016
IFRS 16	Leases	1 January 2019

The National Executive Committee have considered all standards and interpretations in issue that are not yet effective up to the date of authorisation of the annual financial statements for the year ended 30 June 2016.

At this stage the National Executive Committee do not consider these standards and interpretations to have a material impact on the Group.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 23. Going concern

The Group incurred a loss of R42.3 million for the year ended 30 June 2016 and, as of that date, the Association's current liabilities exceeded its current assets by R50.6 million (excluding income received in advance). The Group has put plans in place to improve this position and is still determined to achieve a net current asset position within the next few years. It is quite important for this to be achieved because it would result in the debts being settled quicker. The Group has therefore set to achieve significant operating surpluses during the next few years in order to achieve the net current assets position. However, in the meantime we successfully negotiated and agreed payment plans with our major service providers.

The Group has long-term sponsorship contracts with most of its sponsors and this assures it of future revenue inflows. These sponsorships are expected to continue in view of the long-term nature and the mutual relationships that are long standing. We expect R191.8 million to flow from existing sponsorship and broadcast contracts. The Group has also commenced exploiting a number of revenue opportunities that it identified previously. This is in addition to the continued implementation of its financial recovery plan which has achieved a fair amount of success so far.

The Association has appointed a new Sponsorship Agency who has vast experience and expertise in sports sponsorship acquisitions and fundraising. Their mandate is to raise funding for the Group and also for our members, specifically SAFA Regions. Their strategy is to maximise on the underlying value of our products and secure the best deals for the Association. The Association has a substantial amount of unsold inventory and we are therefore confident that we will succeed in securing funding for these. We are expecting to achieve a R10 million sponsorship income within the first year.

The 2010 FIFA World Cup Legacy Trust ("the Trust") continues to support our development activities. We have successfully applied for regular funding since 2012 and we expect this funding to continue in the future. The implementation of the deferred projects and new funding from the Trust should result in revenue of about R59 million. This means that the Group's development programmes will continue unhampered by possible financial constraints. Therefore management's efforts can be channelled towards generating funds for other programmes and improving the current assets position of the Group.

FIFA recently approved the Association's licensing and merchandising programme and the seed capital for implementing it. The merchandise range will include national team jerseys, tracksuits, casual wear, formal wear clothing accessories, supporters 'wear and other accessories like cups, pens, rings, balls, etc. An Agency was appointed to manage this programme, specifically establishing the distribution networks, implementing the licensing of outlets and managing the rights protection aspects. Due to the seed funding from FIFA, this project will be profitable from the second year and should generate an average surplus of R4 million per year from the third year.

The Association has kicked started the SAFA Digital project by running pilot projects within certain schools and SAFA Regions. The project includes the creation of database for all our players and teams, the competition system and other modules. The SAFA Digital project is also a commercial project that will generate revenues for the Group. The commercial opportunities associated with SAFA Digital are as follows:

- Telco partnership that will benefit both the Group and its members.
- Advertising served on both the Registration and Competition systems, as well as associated apps.
- Big data marketing, that is partnering with an agency to direct market to our members.
- Presenting sponsors for apps, competition website, talent identification.
- Membership registration fees.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 23. Going concern (continued)

We estimate that this project has a payback period of 3 years. We are also in discussion with a few possible funders and if we are successful, this will reduce the payback period quite significantly. This will also result in additional, unencumbered and diversified revenue streams for the Group. The project will become profitable within the first 12 months. Conservatively we project average surpluses of R10 million per year commencing from the third year.

FIFA recently announced a vastly improved financial support programme for its member associations. This programme, known as FIFA Forward Programme, will assist member associations with their operational costs and certain approved projects. This funding will be a cost relief as it partly covers the Association's normal operational costs. The Association will also be strategic about the project funding so that it is invested in projects that will provide future returns, including financial, to the Association. An investment in the SAFA National Technical Centre is one of such envisaged projects. The annual allocation by FIFA per Member Association is about R10.1 million at the current exchange rates.

CAF also recently announced, after it signed a much improved TV rights deals with its broadcast partner, an increased share of TV rights revenue with its members. This means that the CAF members are guaranteed TV revenue for participating in CAF competitions and tournaments. The Association has already started enjoying these financial benefits which accrued from its participation in the 2017 Gabon Africa Cup of Nations qualifying matches and the 2018 Russia FIFA World Cup qualifying matches.

The developments at the SAFA National Technical Centre ("the Centre") are in progress. The Centre is already providing much needed financial relief to the Association in the form of significant savings in accommodation costs. The Fun Valley business is also cash generating and is contributing to the Association's net revenue. With the completion of various milestones at the Centre, the financial benefits will increase and these include:

- Increased savings in accommodation costs as we would be able to accommodate all our teams and for all our activities. We estimate annual cost savings of at least R10 million. This is based on our all teams, except Bafana Bafana currently, staying at the Centre. It is also based on most of courses and some of our tournaments being hosted at the Centre.
- Cost savings for field hire which is estimated at about R1 million per annum.
- Additional revenue from hiring our facilities to other sporting codes and any other interested parties.

The Association's stream of grant revenue from other sources is becoming more consistent. Sport and Recreation South Africa is providing an annual grant for development programmes. The National Lotteries Commission ("NLC") has also started to fund the Association's programmes and our relationship with them is strengthening. During the year the PSL increased their grant funding allocation. The Association has also identified an opportunity for the CATHSETA to fund our courses including Coaching and Referees' courses.

The SAFA Development Agency was set up to secure funding for football development in line with the SAFA Vision 2022 Football Development Plan. A critical condition of the establishment of the Agency was that it was able to generate sufficient funding to cover its operating costs. The Association agreed to fund the start-up costs of the Agency by means of a long-term loan.

The Agency has now managed to achieve a break-even operational status in June 2016, and with new partnerships to be concluded, and a new funding model via the Safe-Hub youth development centres, is confident of not only achieving its goal of raising funding for football development, but also of funding its own operations profitably.

## South African Football Association

### Notes to the financial statements for the year ended 30 June 2016 (continued)

#### 23. Going concern (continued)

The new funding strategy has already achieved some success, and by the end of the 2016 calendar year the Agency will conclude two new significant funding deals that will secure its revenues for the coming financial year, with a number of other partners making commitments in early 2017. The Agency has also reduced its operating costs significantly via a more sustainable cost allocation model. The structure of the Development Agency, and the new funding model via the Safe-Hubs, make it possible for funding to be secured from corporate BBBEE scorecard spend.

The Group continues to vigorously manage its costs by being innovative in the way that we carry out our activities. Fiscal discipline is being practised across the full organisation's spectrum. This is strengthened by, among other tools, operating with an approved budgets, enforcement of procurement policies and regular financial reporting. We are also creating value within the supply chain by working closely with our suppliers.

We have budgeted for an accounting profit of R1.2 million and a cash balance of R16.8 million for the financial year ending 30 June 2017.

The Association has also successfully managed to restructure some of its debts by negotiating favourable repayment periods. This was achieved through the healthy partnerships that we have with our service providers.

The National Executive Committee ("NEC") is therefore confident that the Group is a going concern.

## SAFA SPONSORS, SUPPLIERS AND PARTNERS

### National Teams' Sponsors

Banyana Banyana



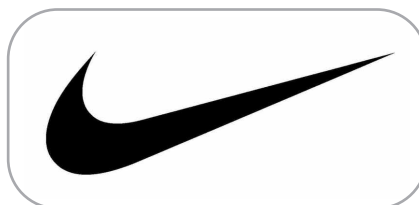
Bafana Bafana



Amajita



### Technical Partner



Corporate Social  
Investment Partner



Broadcast  
Partners



Development  
Partner



### Competitions' Sponsors



### Suppliers and Partners

