

South African Football Association

ANNUAL FINANCIAL REPORT incorporating
GROUP ANNUAL FINANCIAL STATEMENTS and
ASSOCIATION ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2018

Audited





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South African Football Association

Annual Financial Report for the year ended 30 June 2018

Governance Reports:

Chairman of the Finance and Procurement Committee	4
Chairman of the Audit and Risk Committee	5

Administration Reports:

Chief Executive Officer	7
Chief Financial Officer	8
EY Financial Platform Leader	11

Charts & Graphs	12 – 15
-----------------	---------

Council's Responsibility Statement	17
------------------------------------	----

Council's Statement on Corporate Governance	18
---	----

Composition of the Council	19
----------------------------	----

Report of the Council	20 – 23
-----------------------	---------

Independent Auditor's Report	24 – 25
------------------------------	---------

Statement of Profit or Loss or Other Comprehensive Income	26
---	----

Statement of Financial Position	27
---------------------------------	----

Statement of Changes in Equity	28
--------------------------------	----

Statement of Cash Flows	29
-------------------------	----

Accounting Policies	30 – 35
---------------------	---------

Notes to the Financial Statements	36 – 52
-----------------------------------	---------

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

Detailed Income Statement	53
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In December 2017 Coach Thabo Senong's charges hoisted the COSAFA Under 20 Championship trophy in Zambia. Amajita beat Mauritius, Mozambique and guest nation Egypt in the Group Stages. Egypt were beaten a second time in the semi-final before Lesotho succumbed 1 – 2 in the final. Amajita have now been crowned champions in this regional tournament in 2002, 2004, 2006, 2008, 2009, 2013 and 2017.



Mr Thamsanqa Gay Mokoena

Chairman:
Finance and Procurement Committee

It is with great disappointment that we have to report a Group loss of R15.9 million during the past financial year. A number of factors have contributed to this poor financial performance.

First, the non-conclusion of the broadcast contract with the public broadcaster, the SABC, has contributed immensely to this underperformance. More disturbing is that, at the time of writing this report, the protracted negotiations were still under way. The negotiations have been prolonged by the frivolous offer we received from the SABC. We are locked into these negotiations with the SABC because football is classified as a sport of national interest in our country, and therefore has to be accessible to the public through the public broadcaster. Given the recent experience with the public broadcaster, we have made submissions to both the Government and ICASA that we would support an open bidding and selling of broadcast rights. Alternatively, we would support the amendment of the current legislation to necessitate a minimum fair market rights fee obligation.

Secondly, the smear campaign against the Association and its leadership during the past financial year has not assisted the general performance of the organisation. The campaign was coordinated by a fringe group within and outside football who wanted to obtain control of SAFA to advance its own agenda. This should be a lesson to all of us and it should be avoided and not repeated at all costs. This Association cannot afford to demolish itself and start afresh every time leadership has to be elected.

Despite these setbacks, we are determined to pursue our goals as guided by our Vision 2022. Although we foresee a difficult year ahead, we are confident that we will recoup this loss and return to generating surplus by the end of the financial cycle. Our resolve is to build a sustainable and successful organisation.

Let us thank all our friends, sponsors and supporters who have been with us through thick and thin. Wishing you all the best for the future.

Mr Mxolisi Sibam

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 2018 financial year. The Association and Group are both under material financial and cash flow stress, which is mainly due to the reduction in revenue caused by the challenge the Association is faced with in relation to the broadcasting rights contract. The Association though, is mitigating this by applying strict controls and measures to contain cost, to limit this to the least possible impact to the Group's financial position, results and cash flows.

We continue to assess our risk and systems of the Group and we would like to assure you that the Group's systems of internal controls and risk management programme are sound.

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 of 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 the year ended 30 June 2018 are prepared in compliance with all applicable statutory, legal and regulatory requirements and based on the International Financial Reporting Standards (IFRS). The Committee was also actively overseeing the external audit process by PwC. This included approving the audit plan, monitoring the audit progress and reviewing PwC's final report including the management report.

The Committee is further satisfied with the statutory compliance by the Association and the Group. These include compliance with the Income Tax Act, Value-Added Tax, Employees Tax, Compensation for Occupational Injuries and Diseases, Broad-Based Black Economic Empowerment and Employment Equity.

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

Financial position:	Total assets	R190.1m
	Net current liabilities	R120.3m
	Retained earnings	R12.3m
Financial performance:	Loss from operations	R19.6m
	Loss for the year	R15.9m
Cash flow:	Cash generated from operations	R12.0m
	Net cash flows from investing activities	(R8.3m)

We would like to thank the Council for the confidence that it has shown in our Committee.





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Mr Russell Paul



Acting Chief Executive Officer

The past financial year has no doubt left us with much to think about, and in particular as to how we need to manage ourselves moving forward into the next financial period and beyond.

Whilst we are continuously striving to be a world class organisation, we will have to do some introspection in our overall operational methods, and therefore cannot continue business as if everything is normal around us. The depressing economic climate challenges us to do business differently, and we need to take heed and change our approach to ensure that the sustainability of the Association and its future is uppermost on our agenda.

The challenges created by the SABC's unwillingness to meet the modern day demands of an ever-changing broadcast landscape, placed us in a very invidious position financially, but based on our confidence in our brand and its value in the market place, we are firm in our belief that we will be able to turn the corner and come out victorious.

The turnaround strategy that is being worked on and developed, will be further adapted to create a changed environment to ensure that our organisation is rightsized at every level, and operated at optimal means for greater efficiency, productivity and effectiveness. We also remain confident that the ongoing success of the majority of our teams will create a more vibrant appetite for corporate South Africa to become involved with the Association, and further stimulate financial growth.

We are thankful to our Members for being considerate during these challenging times, given that the broadcast stalemate has also affected their operations negatively.

To our sponsors who have stood by us and increased their support, and to the new ones who have joined recently, we are grateful for your continued involvement with the sport of the nation.

In respect of the SAFA Council, led by the visionary Dr Jordaan, thank you for your support during these difficult times and for providing guidance at a critical stage of VISION 2022.

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- Ask your LFA how to get your League on MYSAFA.

MYSAFA

Follow your teams and keep up to date with all of South Africa's amateur football news on one website.

Mr Gronie Hluyo

Chief Financial Officer



The financial performance of 2017/18 was mainly characterised by cash flow challenges which were caused by late payments from some of our major funders and the delayed conclusion of our broadcast deal. This had an adverse and serious effect on most of our stakeholders, especially our Regions and service providers. We are working tirelessly to rectify this situation because it is negatively affecting the development of football. It is paramount that we secure unencumbered cash flows to enable us to liquidate our mounting liabilities. Our reported Group loss of R15.9 million is at variance with our budget for the same period, wherein we anticipated a surplus of R12 million. The failure to achieve our budget mainly arises from:

- the unanticipated delays in renewing the broadcast contract with the South African Broadcasting Corporation (SABC).
- we hosted 4 (four) Congresses contrary to the one (1) Congress that we had planned for.
- Our Junior teams were very active during this period. The U-20 Men (AFCON qualifiers and a Three Nations Tournament in England), U-17 Girls (World Cup Qualifiers) and U-20 Women (World Cup Qualifiers) were all involved in tournament qualifying matches.
- Legal costs

We are still concerned about our net current liabilities position, which simply means that our current liabilities exceed our current assets. The consequences of this have been felt across the Association through the cash flow challenges. The key solutions to our situation are:

- we need to raise a significant amount unencumbered cash through sponsorships, financial assistance programmes, grants for existing operational costs, etc.
- acquire funding for unfunded mandates which include some national teams and some development programmes
- bridge the financial gap for partially funded mandates

The current global economic situation is gloomy and, consequently, corporates are scaling down on sponsorships which most view as social investment or philanthropy. In addition to positioning our value offerings such that they become an integral part of our partners' / sponsors' strategies to achieving their business imperatives, we urgently need to diversify our revenue streams. This will go

Mr Gronie Hluyo

Chief Financial Officer continued...

a long way in achieving less reliance on sponsorship income within the tough economic environment. We also need to streamline our operations so that we achieve greater efficiencies. This process should include rightsizing of our organisation, increasing the automation of our processes, introduce disruptive technology within our business operations and create an efficient and effective corporate structure. The low hanging fruits that we have already embarked on are an electronic learning (e-learning) system for all our courses and an automated Procurement system.

The Group has a very strong non-current asset base which includes properties, financial assets and intangible assets. We are designing various strategies to sweat our assets and, in broad terms, these include:

- maximise the utilisation of SAFA House, National Technical Centre, including Fun Valley and the Alexandra Total Sports facility
- pursue economic empowerment arrangements similar to our interest in the Netcare's Healthy Lifestyle Trust and the ownership of shares as Black Economic Empowerment beneficiaries
- we have numerous registered trademarks in many classes and these trademarks are dear to the South African public. We are in the process of exploiting our trademarks' commercial values through the licensing and merchandising programme.

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

Mr Jaco van der Walt

EY Financial Platform Leader



Compliance is crucial to the Association and collaborating within the business has assisted with compliance monitoring and risk management.

Finance has enhanced digital which has improved efficiencies and resulted in more effective communication and reporting.

FIFA and the 2010 FIFA World Cup Legacy Trust have continued to assist with capital improvements to the National Technical Centre to assist the Association in its ambitions in building a world class Technical Centre. The National Technical Centre provided accommodation for Junior National Teams, officials and hosted coaching and referees workshops.

Over the last year, the Association encountered challenging cash flow conditions but still managed to meet their commitments, employee costs and made arrangements with the larger service providers.

We are constantly improving and developing our own processes to keep up with the fast paced technology transformation.

Our thanks go out to the Financial Platform team and the SAFA leadership for their guidance over the past years.

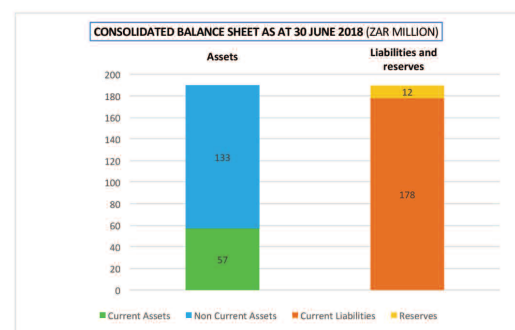
I trust that the Financial Platform has brought transparency and has contributed towards the Association in meeting its objectives for Vision 2022.

ASSETS

Current Assets	57
Non-current assets	133

LIABILITIES AND RESERVES

Current Liabilities	178
Reserves	12

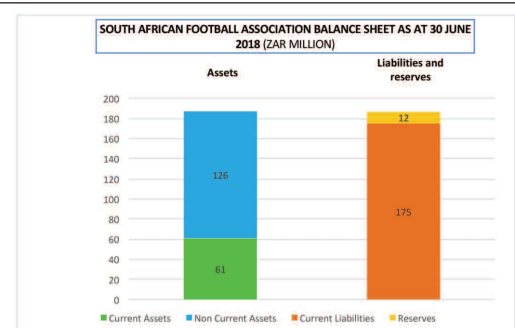


ASSETS

Current Liabilities	175
Reserves	12

LIABILITIES AND RESERVES

Current Assets	61
Non-current assets	126



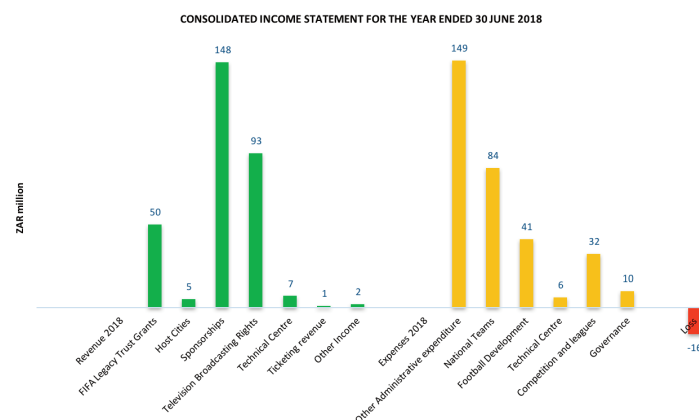
REVENUE 2018

FIFA Legacy Trust Grants	50
Host Cities	5
Sponsorships	148
Television Broadcasting Rights	93
National Technical Centre	7
Ticketing Revenue	1
Other Income	2

EXPENSES 2018

Other Admin Expenditure	149
National Teams	84
Football Development	41
National Technical Centre	6
Competitions & Leagues	32
Governance	10

LOSS -16



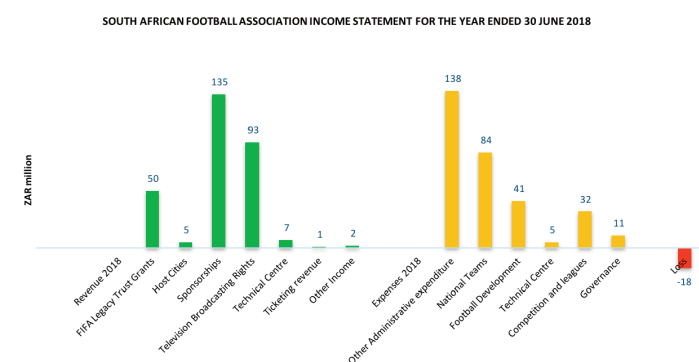
REVENUE 2018

FIFA Legacy Trust Grants	50
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Other Income	2

EXPENSES 2018

Other Admin Expenditure	138
National Teams	84
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National Technical Centre	5
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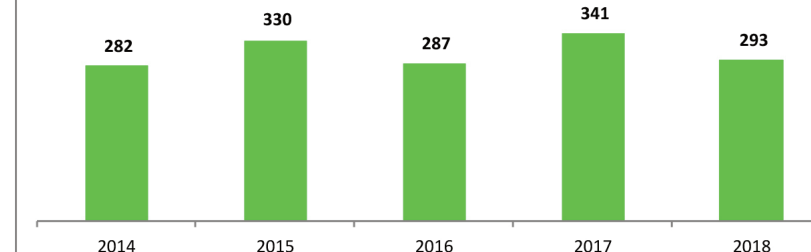
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SAFA Income Statement – Revenue (ZAR Million)

2014:	282
2015:	330
2016:	287
2017:	341
2018:	293

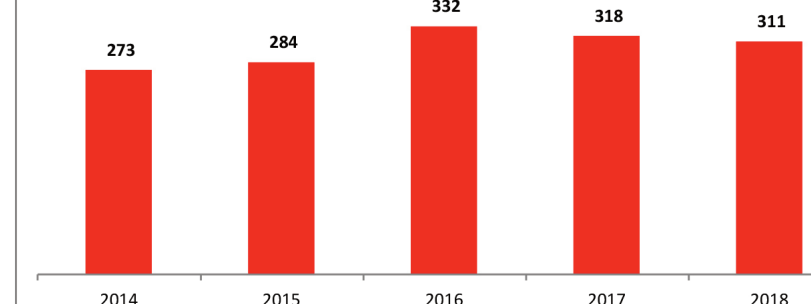
South African Football Association Income Statement - Revenue (ZAR Million)



SAFA Income Statement – Expenses (ZAR Million)

2014:	273
2015:	284
2016:	332
2017:	318
2018:	311

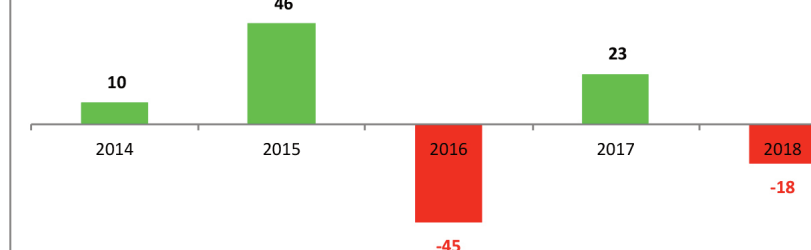
South African Football Association Income Statement - Expenses (ZAR Million)



SAFA Income Statement – Result (ZAR Million)

2014:	10
2015:	46
2016:	-45
2017:	23
2018:	-18

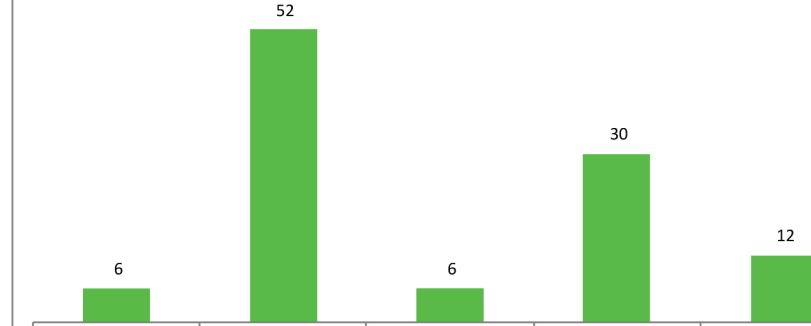
South African Football Association Income Statement - Result (ZAR Million)



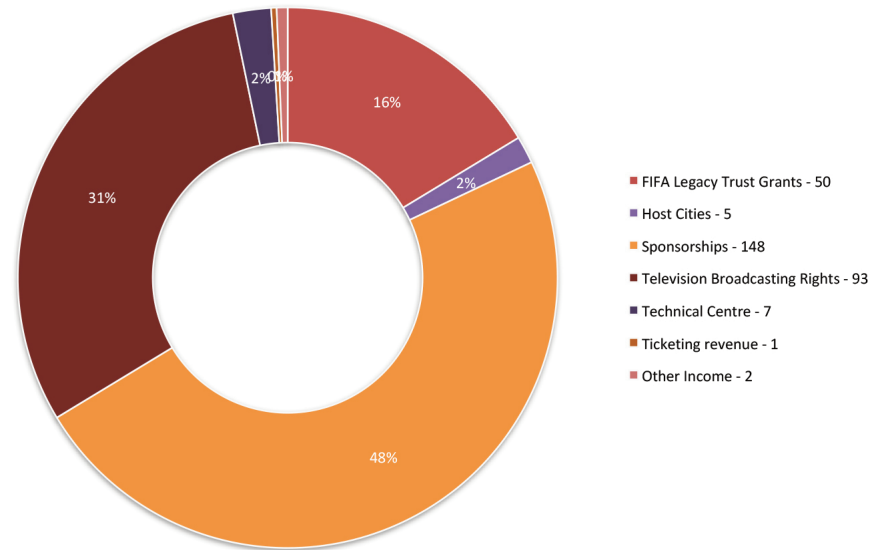
SAFA Income Statement – Reserves (ZAR Million)

2014:	6
2015:	52
2016:	6
2017:	30
2018:	12

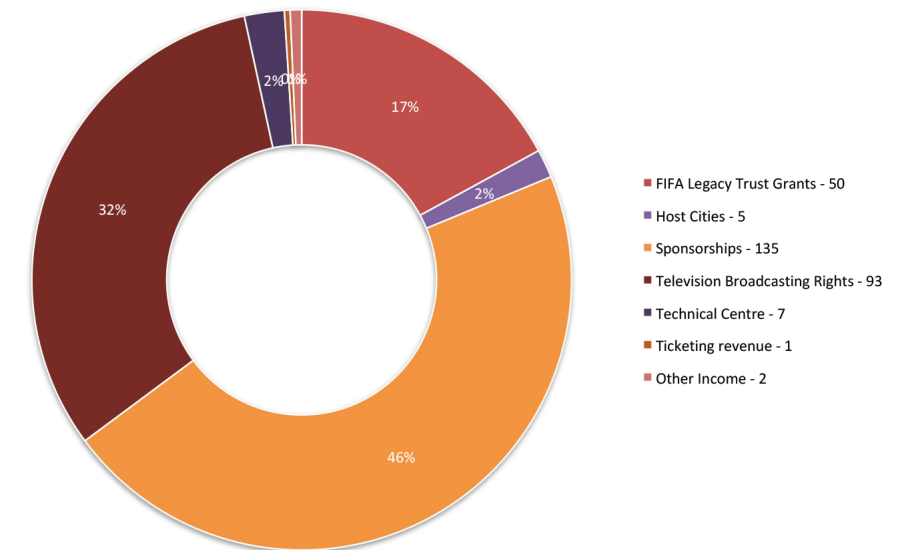
South African Football Association Income Statement - Reserves (ZAR Million)



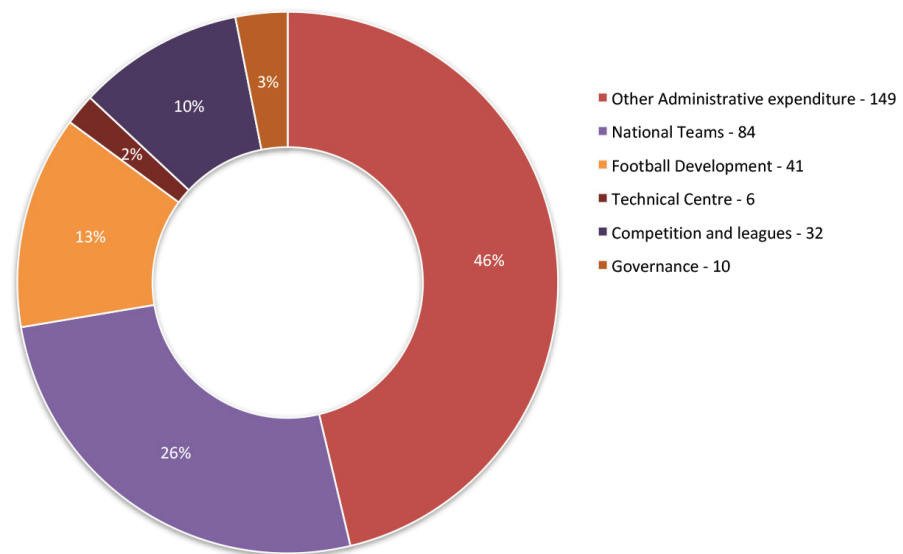
**Group Revenue 2018
(ZAR Million)**



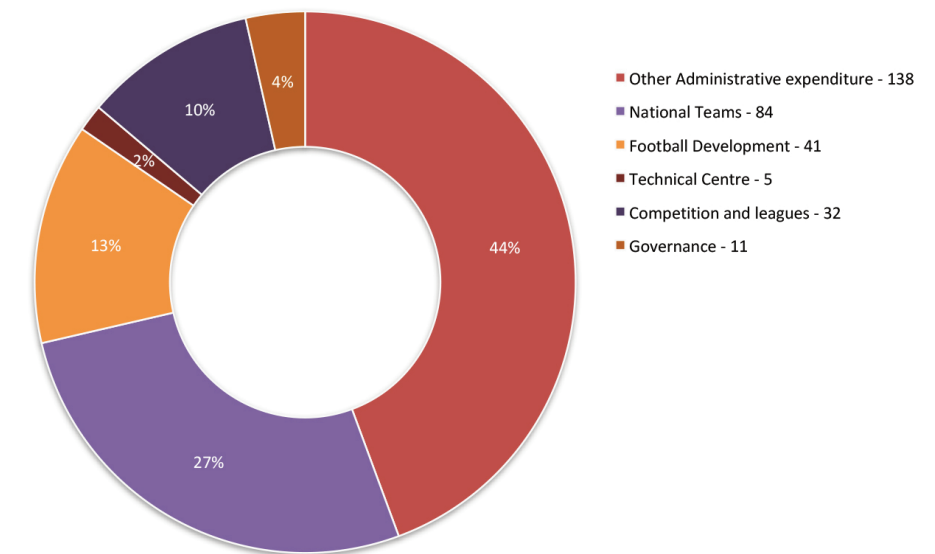
**South African Football Association Revenue 2018
(ZAR Million)**



Group Expenses 2018 (ZAR Million)



**South African Football Association Expenses 2018
(ZAR Million)**





South African Football Association

Council's Responsibility Statement

The Council is responsible for the preparation and fair presentation of the Group financial statements and financial statements of South African Football Association (the "Association"), comprising the statements of financial position at 30 June 2018, and the statements of profit or loss and other 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 Council is responsible for preparing the report of the Council, statement on corporate governance and composition of the Council.

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

The Council believe that the Group has, or has access to, adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis (refer to note 21: Going concern). The Council has satisfied itself that the Group is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable requirements. The Council is not aware of any new material changes that may adversely impact the Group. The Council is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Group.

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

Approval of the Group annual financial statements and Association financial statements

The Group financial statements and Association financial statements of the South African Football Association for the year ended 30 June 2018 as identified in the first paragraph were approved by the Council on 19 November 2018 and are signed by:

Dr Danny A. Jordaan
President

Mr Russell Paul
Acting Chief Executive Officer

South African Football Association

Council's Statement on Corporate Governance

for the year ended 30 June 2018

The Council 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 Council 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 Association financial statements

The members of the Council are responsible for preparing the Group financial statements and Association 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 association financial statements are set out in the accounting policies in the financial statements.

The Council is also responsible for the assessment of the Association and its subsidiaries ability to continue as a going concern.

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 Council 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 Council.

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 Council.

Finance and procurement committee

The committee members are appointed by the Council.

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

South African Football Association

Composition of the Council

At the date of this report the composition of the Council was as follows:

President

Danny Jordaan

Vice Presidents

Gay Thamsanqa Mokoena
Irvin Khoza
Ria Ledwaba
Xolile Nkompele

Chief Executive Officer

Dennis Mumble (until 30 September 2018)
Russell Paul (Acting CEO from 01 October 2018)

Honorary Presidents

Lesole Gadinabokao
Molefi Oliphant

Honorary Members

Jeremiah Mdlalose
Motebang Mosese
Obakeng Molatedi

Members

Andile Ngconjana
Anastasia Tschlas
Aubrey Baartman
Bennett Bailey
David Bantu
David Molwantwa
Emma Hendricks
Gerald Don
Gladwyn White
Jack Maluleka
Jose Ferreira
Kaizer Motaung
Kwenzakwakhe Ngwenya
Letima Mogorosi
Linda Zwane
Litheko Marago
Mato Madlala
Mbongeni Shibe
Monde Montshiwa
Mzimkhulu Fina
Mxolisi Sibam
Mzwandile Maforvane
Paseka Nkone
Pius Ngandela
Poobalan Govindasamy
Shuping Seboko
Simphiwe Xaba
Tankiso Modipa
Thabile Msomi
Vincent Ramphago
William Mooka

The above members, save for the position of the Chief Executive Officer, Honorary Presidents, Honorary Members and National Soccer League Representatives, were elected onto the Council on 26 May 2018. In terms of paragraph 13.23 of the Association's Statutes, these members will hold office for a period of four years.

Futhermore, the following members were not re-elected during the elections held on 26 May 2018:

Elvis Shishana
Lucas Nhlapo
Abel Rakoma
Anthony Reeves
David Zulu
Mlungisi Bushwana
Mzimkhulu Ndelelo
Nomsa Mahlangu
Norman Arendse
Peter Manchonyane
Stanley Matthews
Truman Prince
Velaphi Kubeka

South African Football Association

Report of the Council

for the year ended 30 June 2018

1. 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.

2. 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 R15.9 million (2017: profit of R21.9 million). The Group's financial position reflects a net asset value of R12.3 million (2017: R28.2 million). The Group's financial performance is unsatisfactory and this is mainly due to the unforeseen gap in the SABC sponsorship during the months of May and June 2018; in other words, the SABC broadcast rights terminated on 30 April 2018 and were not renewed immediately, therefore, there was no revenue from the SABC to be recognised for the last 2 months of this financial year. We also had a total of 4 (four) Congresses during this financial year and this is unusual. In addition, the Africa Cup of Nations 2013 Local Organising Committee South Africa NPC ("AFCON") also contributed negatively, however the South African Football Association Development Agency ("SDA") made a positive contribution to the Group's financial results.

3. Going concern

The Group made a loss of R15.9 million for the year ended 30 June 2018 and, as of that date, the Group's current liabilities exceeded its current assets by R99.6 million (excluding income received in advance which will not crystallise as a cash outflow). The Group continues to pursue its plans of improving this position and is still determined to achieve a net current asset position within the next few years. It is quite important for this position to be achieved because it would result in the debts being settled more quickly. The Group has therefore set out to achieve significant operating surplus during the next few years in order to achieve a net current asset position.

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. The Group also continues to exploit a number of revenue opportunities that it identified previously. This is being combined with the implementation of its financial recovery plan which is expected to achieve a fair amount of success in the medium to long term.

We are finalising the negotiations for an extension of our broadcast rights agreement. Efforts are being made to ensure that the parties, SABC and SAFA, will sign a mutually beneficial agreement soon. The Government is also assisting in facilitating the finalisation of these negotiations. We are also negotiating with a few broadcasters for the sale of our satellite rights. With the continuous advancement of technology, the broadcast market has broadened and now includes the domestic market, rest of Africa, worldwide and internet rights.

We are also negotiating with a number of potential sponsors for the sale of rights for a number of our properties. These properties include junior national teams, coaching education and leagues. We are making some steady progress in that regard. In September 2018, we launched a sponsorship for our referees by OUTsurance.

During the run-up to the 2010 FIFA World Cup™, FIFA launched a programme named "Win in Africa with Africa" to support the development of the game on the African continent. The South African Government committed USD \$10 million for the African Diaspora legacy programme, specifically for the Caribbean countries. FIFA agreed to administer the fund through the FIFA account. As part of its African Renaissance philosophy, the South African Government reached out to the African Diaspora to incorporate them in the programme for them to benefit from the first FIFA World Cup™ on African soil. FIFA transferred the funds, USD \$10m, to the Caribbean countries, on behalf of the South African Government. FIFA then deducted these funds from SAFA's share of the 2010 FIFA World Cup™ ticketing revenue. SAFA is now in negotiations with the South African Government for the reimbursement of this amount to SAFA.

We are in the process of appointing a new agency to manage our entire licensing and merchandising programme. This

South African Football Association

Report of the Council

for the year ended 30 June 2018 (continued)

programme is expected to bring in additional and unencumbered revenue to the Group. This will be achieved through the selling of a wide range of our merchandise via in-house merchandising stores, independent fashion houses and department stores.

The FIFA Forward programme is still in place and we will continue to benefit from it as a FIFA Member Association. The Operational Costs and Project funding has been increased from US \$1.25 million per annum to US \$1.5 million per annum. These funds go a long way in covering our normal operational costs and some projects.

In July 2016, CAF advised us that due to its improved commercial arrangements, its Member Associations will now receive bigger shares of the CAF TV rights. Member Associations are now guaranteed a share of the TV revenue by participating in any of the CAF competitions. CAF has also introduced the annual CAF Grant and each Member Association receives \$100,000.00 with effect from 1 July 2017. The financial benefits of this grant commenced in the 2018 financial year (1 July 2017). We have already received 2 grants, that is 1 July 2017 and 1 July 2018. These grants will continue to be paid by CAF, thus assuring us of future funding.

We continue to have access to various grants which go toward our development programmes. The 2010 FIFA World Cup Legacy Trust ("the Trust") continues to support our development activities. We have successfully applied for regular funding since 2013 and we expect this funding to continue in the future. This means that the SAFA's development programmes will continue unhampered. Therefore, management's efforts can be channelled towards generating funds for other programmes and improving the current assets position of the Group.

The National Lotteries Commission also continues to make funds available for some of our activities. We were recently granted funding for a Women's Coaching course and we submitted other applications to support our National Teams that are preparing for major tournaments. We anticipate to get positive responses to our submissions.

Sport and Recreation South Africa ("SRSA") has provided us with a grant of R2 million per year during the past 2 years; so this funding is now consistent. These funds are assisting with our Schools' Football activities, Grassroots programmes and Women's Football development.

SETA / CATHSETA funding: The Association pays towards the Skills Development Levy on a regular basis. It contributes both on the permanent and non-permanent payroll. Previously we have only received training funds from CATHSETA for permanent staff training. We have now decided to try accessing funding for non-permanent staff like referees and coaches courses. We are confident that our funding applications will be considered favourably.

The Government has a number of initiatives that are aimed at encouraging social cohesion and healthy lifestyles and funding is provided towards this. Football plays a significant role in assisting the Government in its efforts. We will, therefore, work closely with Government so that they can fund our existing football development programmes, especially at grassroots level.

The Fun Valley business is a profitable one and these profits will contribute towards the financial recovery of the Association. These profits will be used to improve Fun Valley so that we can gain more patronage and improve the business' profitability. We are now hosting a number of our events at Fun Valley. These include hosting our National Teams, coaching courses, administration workshops, tournaments, etc. This is resulting in significant cost savings for the Association, especially accommodation costs. The National Technical Centre upgrades are still in progress. We should have at least 3 soccer pitches and a completed boundary wall during the 2019 financial year. This will result in cost savings of hiring soccer fields and travelling costs as well. With the FIFA Forward Programme, we are assured of a financial allocation for infrastructure upgrades at the National Technical Centre annually. There is also potential of getting other funders to support the development of the football mother body's National Technical Centre. The infrastructure development at the National Technical Centre will boost our income statement and balance sheet.

We have established SAFA Digital which will be responsible for the digitisation of our Members' data and commercial exploitation of this Members' database.

Broadly SAFA Digital comprises of 8 sub-projects which are:

South African Football Association

Report of the Council

for the year ended 30 June 2018 (continued)

- Registration system
- Competition system
- Amateur football results website
- Talent identification
- SAFA.net
- Digital Content team
- Social Media Operations
- E-Commerce

The commercial opportunities associated with SAFA Digital are as follows:

- Telco partnership that will benefit both SAFA and its members (Regions)
- 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

Our application for seed capital from the 2010 FIFA World Cup Legacy Trust was approved in November 2018.

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

The Group 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 Council believes that the Group will be successful in its continuing efforts of growing its revenue base as outlined above. It is also satisfied that the Group is able to meet its working capital liabilities through the normal cyclical nature of its receipts and payments. Further, the Council is intensifying its efforts in monitoring the Group's ongoing working capital requirements and minimising expenditure commitments. It is also increasing its focus on maintaining an appropriate level of overheads in line with the Group's available cash resources.

The Group has a healthy balance sheet which has a significant amount of non-current assets. These assets include property and financial assets within a company that is listed on the Johannesburg Stock Exchange (refer to note 10).

The Association, as the football controlling body in the country responsible for the country's National Teams, is therefore considered to be a national asset. It is due to this status that it works very closely with the Government and enjoys its support.

The Council is therefore confident that the Group is a going concern.

4. Property, plant and equipment

Details of changes in property, plant and equipment are shown in note 9 to the 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 and the Association is still in discussions with the Minister of Sport regarding the transfer of the property to SAFA.

5. 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

South African Football Association

Report of the Council

for the year ended 30 June 2018 (continued)

5. Financial asset (continued)

Measurement". Refer to note 10 to the financial statements for further details.

Subsequent to the financial year-end, SAFA relinquished all its rights of being the Healthy Lifestyle Trust's anchor beneficiary. SAFA's remaining trust units were converted to Netcare shares based on Netcare's closing share price on 31 August 2018. SAFA is now the holder of Netcare equity shares only.

6. Group Financial Statements

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

6.1. Africa Cup of Nations 2013 Local Organising Committee South Africa NPC

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 the Confederation of African Football ("CAF") to host these tournaments and thereafter ceded these rights to the Africa Cup of Nations 2013 Local Organising Committee South Africa NPC ("AFCON"). The Association is the sole member of this entity and has control over AFCON. The government was the major funder. This entity has therefore been consolidated. This entity is currently winding down operations.

6.2. 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 for 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. The Development Agency ceased its operations on 31 December 2017 and is now in the process of closing down. Its activities have been integrated within SAFA.

The trustees agreed that the Trust be dissolved and agreed that upon dissolution, that the trust will transfer the rights and obligations of the leasehold asset to the founder, South African Football Association, as settlement of the loan.

6.3. 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. The Foundation did not operate in the current year and is in the process of being deregistered.

7. 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.

Business address:	SAFA House 76 Nasrec Road Nasrec Ext 3 Johannesburg 2000	Postal address:	PO Box 910 Johannesburg 2000
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8. Subsequent events

No significant events have occurred after 30 June 2018 that will have an impact on the reported financial results.

9. Auditors

The Association's auditors are PricewaterhouseCoopers Inc. and were appointed in terms of article 75 of the Association's Statutes on 28 April 2018.



Independent auditor's report

To the Members of the South African Football Association

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of South African Football Association (the Group and Association) as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

South African Football Association's financial statements set out on page 26 to 52 comprise:

- the Statements of Profit or Loss and Other Comprehensive Income for the year the then ended;
- the Statements of Financial Position as at 30 June 2018;
- the Statements of Changes in Equity for the year then ended;
- the Statements of Cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Group and Association in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Material uncertainty relating to going concern

We draw attention to Note 21 in the financial statements, which indicates that the Group and Association incurred a net loss of R15.9 million and R18 million respectively during the year ended 30 June 2018 and, as of that date, the Group's and Association's current liabilities exceeded its total assets by R96.6 million (excluding income received in advance which will not result in cash outflow) and R93.3 million respectively. As stated in Note 21, these events or conditions, along with other matters as set forth in Note 21, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Association's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Council is responsible for the other information. The other information comprises the information included in the Annual Financial Report, which includes the Council's Responsibility Statement, Council's statement on corporate governance, Composition of the Council, the Report of the Council and the detailed income statement. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masedo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Council for the consolidated and separate financial statements

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

In preparing the consolidated and separate financial statements, the Council is responsible for assessing the Group's and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intend to liquidate the Group and/or Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- Conclude on the appropriateness of the Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit and Risk Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Pule Mothibe
Registered Auditor
Johannesburg
Date: 27 November 2018

South African Football Association

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	Group 2017	2018	Association 2017
Revenue	3	304,113,297	357,674,009	290,716,837	338,483,637
Operating expenses		(323,705,955)	(331,384,234)	(312,647,501)	(310,978,257)
Operating (loss) profit	4	(19,592,658)	26,289,775	(21,930,664)	27,505,380
Finance income	5	958,711	1,850,376	929,083	1,789,118
Finance costs	6	(1,150,648)	(1,680,261)	(878,202)	(1,596,326)
Other Income		2,159,859	1,170,172	2,159,859	1,170,172
Other non-operating profit(losses)	7	1,761,312	(5,730,572)	1,761,312	(5,730,572)
(Loss) profit before taxation		(15,863,424)	21,899,490	(17,958,612)	23,137,772
Taxation	8	-	-	-	-
(Loss) profit for the year		(15,863,424)	21,899,490	(17,958,612)	23,137,772
Other comprehensive income		-	-	-	-
Total comprehensive (loss) income for the year		(15,863,424)	21,899,490	(17,958,612)	23,137,772

South African Football Association

Statement of Financial Position

as at 30 June 2018

Figures in Rand	Note(s)	2018	Group 2017	2018	Association 2017
Assets					
Non-Current Assets					
Property, plant and equipment	9	106,611,983	105,891,061	99,613,157	97,838,415
Financial assets	10	21,034,552	20,397,797	21,034,552	20,397,797
Intangible assets	11	5,000,000	5,000,000	5,000,000	5,000,000
Investments in subsidiaries	12	-	-	-	-
		132,646,535	131,288,858	125,647,709	123,236,212
Current Assets					
Trade and other receivables	13	49,985,153	49,091,439	54,283,636	53,084,526
Cash and cash equivalents	14	7,505,930	8,298,499	7,015,577	6,568,841
		57,491,083	57,389,938	61,299,213	59,653,367
Total Assets		190,137,618	188,678,796	186,946,922	182,889,579
Equity and Liabilities					
Equity					
Retained income		12,344,538	28,207,962	11,617,492	29,576,104
Liabilities					
Non-Current Liabilities					
Interest-bearing loans	15	-	726,641	-	726,641
Current Liabilities					
Trade and other payables	16	153,354,280	126,486,053	150,890,630	120,027,382
Interest-bearing loans	15	3,741,845	7,524,660	3,741,845	7,524,660
Income received in advance	17	20,696,955	25,733,480	20,696,955	25,034,792
		177,793,080	159,744,193	175,329,430	152,586,834
Total Liabilities		177,793,080	160,470,834	175,329,430	153,313,475
Total Equity and Liabilities		190,137,618	188,678,796	186,946,922	182,889,579

South African Football Association

Statement of Changes in Equity

for the year ended 30 June 2018

Figures in Rand	Retained income	Total equity
Group		
Balance at 01 July 2016	6,308,472	6,308,472
Profit for the year	21,899,490	21,899,490
Other comprehensive income	-	-
Total comprehensive income for the year	21,899,490	21,899,490
Balance at 01 July 2017	28,207,962	28,207,962
Loss for the year	(15,863,424)	(15,863,424)
Other comprehensive income	-	-
Total comprehensive Loss for the year	(15,863,424)	(15,863,424)
Balance at 30 June 2018	12,344,538	12,344,538
Association		
Balance at 01 July 2016	6,438,332	6,438,332
Profit for the year	23,137,772	23,137,772
Other comprehensive income	-	-
Total comprehensive income for the year	23,137,772	23,137,772
Balance at 01 July 2017	29,576,104	29,576,104
Loss for the year	(17,958,612)	(17,958,612)
Other comprehensive income	-	-
Total comprehensive Loss for the year	(17,958,612)	(17,958,612)
Balance at 30 June 2018	11,617,492	11,617,492

South African Football Association

Statement of Cash Flows

for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	Group 2017	Association 2018	2017
Cash flows from operating activities					
Cash generated from / (used in) operations	18	12,197,505	3,702,982	13,197,988	(3,710,086)
Finance income		958,711	1,850,376	929,083	1,789,118
Finance costs		(1,150,648)	(1,680,261)	(878,202)	(1,596,326)
Net cash generated from / utilised in operating activities		12,005,568	3,873,097	13,248,869	(3,517,294)
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(9,413,238)	(14,192,823)	(9,417,234)	(5,444,291)
Disposal of Trust units		1,050,145	-	1,050,145	-
Proceeds from disposal of property, plant and equipment		74,412	338,495	74,412	338,495
Net cash utilised in investing activities		(8,288,681)	(13,854,328)	(8,292,677)	(5,105,796)
Cash flows from financing activities					
Repayment of interest-bearing loans		(4,509,456)	(5,157,902)	(4,509,456)	(5,157,902)
Total cash movement for the year		(792,569)	(15,139,133)	446,736	(13,780,992)
Cash at the beginning of the year		8,298,499	23,437,632	6,568,841	20,349,833
Total cash at end of the year	14	7,505,930	8,298,499	7,015,577	6,568,841

South African Football Association

Accounting Policies for the year ended 30 June 2018

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 2018 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.

The financial statements were authorised for issue by the Council on 14 November 2018.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate group financial statements and association financial statements are set out below.

1.1 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.

1.2 Summary of significant 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.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	5%
Leasehold property - SAFA House	Straight line	5%
Leasehold property - Alex Hub	Straight line	10%
Furniture and fittings	Straight line	16.7%
Motor vehicles	Straight line	20%
Office equipment	Straight line	20%
Computer equipment and software	Straight line	33.3%
General equipment	Straight line	20%
Buses	Straight line	20%

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

South African Football Association

Accounting Policies for the year ended 30 June 2018 (continued)

1.3 Property, plant and equipment (continued)

the straight-line basis. Land is not depreciated. The expected useful lives, residual values and depreciation methods are reviewed at each reporting date.

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 Group 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 in accordance with the expected lease period. 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.

1.4 Intangible assets

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.

1.5 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.

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.

1.6 Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangibles and trademarks 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

South African Football Association

Accounting Policies for the year ended 30 June 2018 (continued)

1.6 Impairment of assets (continued)

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.

1.7 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" and amortised to the income statement as the recognition criteria are met or over the terms on the contracts.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables and;
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

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.

Trade and other receivables

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

Trade and other payables

Trade and other payables are initially measured at fair value and at subsequently 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.

South African Football Association

Accounting Policies for the year ended 30 June 2018 (continued)

1.8 Financial instruments (continued)

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.

1.9 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.

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.

1.10 Revenue

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

Revenue comprises sponsorship revenue, sale of broadcasting rights, income from the Confederation of African Football ("CAF") and Fédération Internationale de Football Association (FIFA), 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.

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 the Confederation of African 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 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.

South African Football Association

Accounting Policies for the year ended 30 June 2018 (continued)

1.10 Revenue (continued)

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 National 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.

1.11 Leases

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.

1.12 Finance income and expenses

Finance income comprises interest income on cash and cash equivalents. Interest income is recognised, in profit or loss, using the effective interest rate method.

Finance costs comprise interest expenses from financial liabilities. Interest expenses are 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 expense will accrue to the Group.

1.13 Tax

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.

1.14 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.

South African Football Association

Accounting Policies for the year ended 30 June 2018 (continued)

1.14 Employee benefits (continued)

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.

1.15 Significant judgements and sources of estimation uncertainty

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.

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.

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 reassessing 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.

Trademarks

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

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.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the Group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IAS 7: Disclosure initiative	01 January 2017	The impact of the standard is not material.
• Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	01 January 2017	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

The Group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2018 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Insurance Contracts	01 January 2021	Unlikely there will be a material impact
• IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact
• IFRS 9 Financial Instruments	01 January 2018	Unlikely there will be a material impact
• IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact
• Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers	01 January 2018	Unlikely there will be a material impact

The aggregate impact of the initial application of the statements and interpretations on the Group financial statements and Association financial statements is expected to be as follows:

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	Association 2018	2017
3. Revenue				
Ticketing revenue	1,203,376	1,964,589	1,203,376	1,964,589
Television broadcasting rights	92,859,400	111,474,222	92,859,400	111,474,222
Host cities' income	5,040,053	10,228,070	5,040,053	10,228,070
Sponsorship income	148,376,935	167,535,726	134,980,475	148,345,354
Rental income	226,560	653,068	226,560	653,068
2010 FIFA World Cup Legacy Trust – grants	49,827,163	59,200,982	49,827,163	59,200,982
National Technical Centre – day visitors and use of facilities	6,579,810	6,617,352	6,579,810	6,617,352
	304,113,297	357,674,009	290,716,837	338,483,637

4. Operating (loss) / profit

Operating (loss) profit for the year is stated after charging (crediting) the following, amongst others:

Depreciation

Buildings	2,980,611	2,748,140	2,980,611	2,748,140
SAFA House	3,045,134	3,035,114	3,045,134	3,035,114
Leasehold property – Alex Hub	1,049,824	699,882	-	-
Furniture and fittings	484,815	453,810	484,815	453,810
Motor vehicles	402,809	472,057	402,809	472,057
Office equipment	47,426	8,365	47,426	8,365
Computer equipment	472,456	313,393	472,456	292,862
General equipment	209,241	162,813	209,241	162,813
Buses	-	268,830	-	268,830
	8,692,316	8,162,404	7,642,492	7,441,991

The value of the buses is an approximation of the residual values and therefore no further depreciation is provided.

Other

Accounting fee	13,583,341	13,781,693	13,583,341	12,970,578
Auditors remuneration	1,121,778	1,268,855	1,121,778	1,228,855
Employee costs	41,764,882	43,187,889	37,411,089	39,247,319
Legal and consulting fees	15,346,139	17,659,207	15,346,139	17,659,207
Key management personnel remuneration	10,439,029	9,670,708	10,439,029	9,670,708
Council				
- Honoraria	4,469,680	4,762,497	4,469,680	4,762,497
- Allowances	3,914,555	1,170,805	3,914,555	1,170,805

5. Finance income

Bank and other cash	554,491	1,611,604	524,863	1,550,346
Foreign exchange profit	404,220	238,772	404,220	238,772
	958,711	1,850,376	929,083	1,789,118

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	2018	Association 2017
6. Finance costs				
Interest paid - bank and finance charges	414,353	363,869	414,353	363,869
Interest paid - suppliers	586,377	935,351	313,931	851,416
Interest paid - 2010 FIFA World Cup Legacy Trust	149,918	381,041	149,918	381,041
	1,150,648	1,680,261	878,202	1,596,326
7. Other non-operating gains (losses)				
Fair value gains (losses)				
Increase/(decrease) in fair value of financial asset	1,686,900	(5,546,333)	1,686,900	(5,546,333)
Profit/(loss) on sale of non-current assets	74,412	(184,239)	74,412	(184,239)
	1,761,312	(5,730,572)	1,761,312	(5,730,572)

8. Taxation

On 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") 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 2018 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 Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

9. Property, plant and equipment

Group	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	73,933,829	(8,431,132)	65,502,697	68,053,093	(5,450,520)	62,602,573
Leasehold property - Alex Hub	8,748,532	(1,749,706)	6,998,826	8,748,532	(699,882)	8,048,650
Leasehold property - SAFA House	60,902,698	(32,997,012)	27,905,686	60,902,698	(29,951,878)	30,950,820
Furniture and fittings	5,501,934	(3,368,779)	2,133,155	4,615,015	(2,883,965)	1,731,050
Motor vehicles	17,644,589	(17,225,451)	419,138	19,203,507	(18,381,560)	821,947
Office equipment	942,789	(534,097)	408,692	495,700	(486,671)	9,029
Computer equipment	11,105,249	(9,097,489)	2,007,760	9,409,792	(8,906,069)	503,723
General equipment	2,794,808	(2,030,465)	764,343	2,572,806	(1,821,223)	751,583
Buses	20,613,880	(20,142,194)	471,686	29,738,992	(29,267,306)	471,686
Total	202,188,308	(95,576,325)	106,611,983	203,740,135	(97,849,074)	105,891,061
Association	2018			2017		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land and buildings	73,933,829	(8,431,132)	65,502,697	68,053,093	(5,450,520)	62,602,573
Leasehold property - SAFA House	60,902,698	(32,997,012)	27,905,686	60,902,698	(29,951,878)	30,950,820
Furniture and fittings	5,501,934	(3,368,779)	2,133,155	4,615,015	(2,883,965)	1,731,050
Motor vehicles	17,644,589	(17,225,451)	419,138	19,203,507	(18,381,560)	821,947
Office equipment	942,789	(534,097)	408,692	495,700	(486,671)	9,029
Computer equipment	11,043,649	(9,035,889)	2,007,760	9,348,192	(8,848,465)	499,727
General equipment	2,794,808	(2,030,465)	764,343	2,572,806	(1,821,223)	751,583
Buses	20,613,880	(20,142,194)	471,686	29,738,992	(29,267,306)	471,686
Total	193,378,176	(93,765,019)	99,613,157	194,930,003	(97,091,588)	97,838,415

Reconciliation of property, plant and equipment - Group - 2018

	Opening balance	Additions	Depreciation	Total
Land and buildings	62,602,573	5,880,735	(2,980,611)	65,502,697
Leasehold property - Alex Hub	8,048,650	-	(1,049,824)	6,998,826
Leasehold property - SAFA House	30,950,820	-	(3,045,134)	27,905,686
Furniture and fittings	1,731,050	886,920	(484,815)	2,133,155
Motor vehicles	821,947	-	(402,809)	419,138
Office equipment	9,029	447,089	(47,426)	408,692
Computer equipment	503,723	1,976,493	(472,456)	2,007,760
General equipment	751,583	222,001	(209,241)	764,343
Buses	471,686	-	-	471,686
	105,891,061	9,413,238	(8,692,316)	106,611,983

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildings	62,096,645	3,254,068	-	(2,748,140)	62,602,573
Leasehold property - Alex Hub	-	8,748,532	-	(699,882)	8,048,650
Leasehold property - SAFA House	33,698,807	287,127	-	(3,035,114)	30,950,820
Furniture and fittings	1,642,778	542,082	-	(453,810)	1,731,050
Motor vehicles	1,008,713	442,894	(157,603)	(472,057)	821,947
Office equipment	17,394	-	-	(8,365)	9,029
Computer equipment	528,966	288,150	-	(313,393)	503,723
General equipment	284,426	629,970	-	(162,813)	751,583
Buses	1,105,647	-	(365,131)	(268,830)	471,686
	100,383,376	14,192,823	(522,734)	(8,162,404)	105,891,061

Reconciliation of property, plant and equipment - Association - 2018

	Opening balance	Additions	Depreciation	Total
Land and buildings	62,602,573	5,880,735	(2,980,611)	65,502,697
Leasehold property - SAFA House	30,950,820	-	(3,045,134)	27,905,686
Furniture and fittings	1,731,050	886,920	(484,815)	2,133,155
Motor vehicles	821,947	-	(402,809)	419,138
Office equipment	9,029	447,089	(47,426)	408,692
Computer equipment	499,727	1,980,489	(472,456)	2,007,760
General equipment	751,583	222,001	(209,241)	764,343
Buses	471,686	-	-	471,686
	97,838,415	9,417,234	(7,642,492)	99,613,157

Reconciliation of property, plant and equipment - Association - 2017

	Opening balance	Additions	Disposals	Depreciation	Total
Land and buildingd	62,096,645	3,254,068	-	(2,748,140)	62,602,573
Leasehold property - SAFA House	33,698,807	287,127	-	(3,035,114)	30,950,820
Furniture and fittings	1,642,778	542,082	-	(453,810)	1,731,050
Motor vehicles	1,008,713	442,894	(157,603)	(472,057)	821,947
Office equipment	17,394	-	-	(8,365)	9,029
Computer equipment	504,439	288,150	-	(292,862)	499,727
General equipment	284,426	629,970	-	(162,813)	751,583
Buses	1,105,647	-	(365,131)	(268,830)	471,686
	100,358,849	5,444,291	(522,734)	(7,441,991)	97,838,415

SAFA House has been erected on land that is not owned by the Association and therefore disclosed as leasehold property. Refer to the Council Report regarding title to SAFA House. Land and buildings relates to the National Technical Centre (Fun Valley) property situated at portion 45 at Olifantsvlei 316, Johannesburg, Gauteng.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	Association 2018	2017
10. Financial assets				
At fair value through profit or loss				
Equity shares	15,289,521	14,243,279	15,289,521	14,243,279
Trust units	5,745,031	6,154,518	5,745,031	6,154,518
	21,034,552	20,397,797	21,034,552	20,397,797

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 372 695 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. In the current year, SAFA disposed of 77 305 trust units for a cash consideration of R 1,050,145.

Subsequent to the financial year-end, SAFA relinquished all its rights of being the Healthy Lifestyle Trust's anchor beneficiary. SAFA's remaining trust units were converted to Netcare shares based on Netcare's closing share price on 31 August 2018. SAFA is now the holder of Netcare equity shares only.

11. Intangible assets

Group	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Bafana Bafana trademark	5,000,000	-	5,000,000	5,000,000	-	5,000,000
Association	2018			2017		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Bafana 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 in excess of its carrying value. Royalties in excess of R4.2 million are received annually.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	2018	Association 2017
12. Investments in subsidiaries				
The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.				
At cost less impairment				
Name of subsidiary	Proportion of ownership	Carrying amount 2018	Carrying amount 2017	
South African Football Association Infrastructure Development Foundation *	100.00 %	-	-	
Africa Cup of Nations 2013 Local Organising Committee South Africa NPC **	100.00 %	-	-	
The South African Football Association Development Agency***	100.00 %	-	-	
		-	-	
* To be deregistered.				
** Dormant.				
*** To be absorbed within SAFA over the next twelve months.				
13. Trade and other receivables				
Sponsorships and related income	44,612,456	36,014,183	43,255,791	34,370,687
Value added taxation	4,661,923	1,600,965	4,661,923	1,600,965
SARS receivable	-	1,236,130	-	1,236,130
The South African Football Association Development Agency Trust	-	-	5,655,148	5,636,583
Other receivables	710,774	10,240,161	710,774	10,240,161
	49,985,153	49,091,439	54,283,636	53,084,526

Trade and other receivables are shown net of a provision for doubtful debts of R5 200 621 (2017: R6 614 042) for the Group and R4 302 021 (2017: R5 715 442) for the Association.

The Council considers that the carrying amount of trade and other receivables to 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. Customers with significant outstanding balances have subsequently paid by reporting date. 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.

Trade and other receivables impaired

The ageing of trade and other receivables is as follows:

Not past due	10,874,232	31,826,779	10,874,232	32,866,223
Past due 30-90 days	28,234,277	3,651,058	26,877,612	1,263,778
120 + days	5,503,947	536,346	5,503,947	240,685
	44,612,456	36,014,183	43,255,791	34,370,686

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	2018	Association 2017
13. Trade and other receivables (continued)				
Movement in the provision for impairment				
Opening balance	6,614,042	6,094,663	5,715,442	3,970,805
Net movement in provision for impairment	(1,413,421)	519,379	(1,413,421)	1,744,637
	5,200,621	6,614,042	4,302,021	5,715,442
The Council believes that there is no further impairment required of receivables.				
14. Cash and cash equivalents				
Bank balances	7,505,930	8,298,499	7,015,577	6,568,841
15. Interest-bearing loans				
Instalment sale - Mercedes Benz Financial Services	741,845	2,251,301	741,845	2,251,301
less: current portion included under current liabilities	(741,845)	(1,524,660)	(741,845)	(1,524,660)
	-	726,641	-	726,641
The 2010 FIFA World Cup Legacy Trust	3,000,000	6,000,000	3,000,000	6,000,000
Less: current portion	(3,000,000)	(6,000,000)	(3,000,000)	(6,000,000)
	-	-	-	-
Non-current liabilities	-	726,641	-	726,641
Current liabilities	3,741,845	7,524,660	3,741,845	7,524,660
	3,741,845	8,251,301	3,741,845	8,251,301

The instalment sale Mercedes Benz Financial Services liability is secured over motor vehicles with a carrying value of R419 138 (2017: R821 947). The instalment is R141 068 per month. Interest is payable at an average of 10.52% per annum.

The 2010 FIFA World Cup Legacy Trust loan is unsecured bearing interest at 6% per annum.

A revised payment plan was put in place on 7 November 2017, whereby R3 million was payable on 30 November 2017, R2 million on 28 February 2018 and the balance of R1 million was due 30 April 2018.

R3 million was repaid during the year.

Minimum payments

2018	Within 1 year	2-5 years	5 years and over	Total
Total loans	3,741,845	-	-	3,741,845
Minimum payments				
2017				
Total loans	7,524,660	726,641	-	8,251,301

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	Association 2018	2017
16. Trade and other payables				
Trade payables	138,172,592	111,034,248	135,854,352	106,154,662
VAT	70,141	630,287	-	-
Sundry payables	11,731,766	13,647,309	11,656,497	12,969,608
Salary related payables	3,379,781	1,174,209	3,379,781	903,112
	153,354,280	126,486,053	150,890,630	120,027,382
17. Income received in advance				
FIFA	1,011,215	-	1,011,215	-
PSL	833,333	833,331	833,333	833,331
The 2010 FIFA World Cup Legacy Trust	15,202,408	24,201,461	15,202,408	24,201,461
Motsepe Foundation	3,650,000	-	3,650,000	-
Total Sports Core Funding	-	398,688	-	-
Sishen Iron Ore	-	75,000	-	-
The South Deep Education/Community Trust	-	225,000	-	-
	20,696,956	25,733,480	20,696,956	25,034,792
18. Cash generated from/(used in) operations				
(Loss) profit before taxation	(15,863,424)	21,899,490	(17,958,612)	23,137,772
Adjustments for:				
Depreciation and amortisation	8,692,316	8,162,404	7,642,492	7,441,991
(Gains) losses on disposals of property, plant and equipment	(74,412)	184,239	(74,412)	184,239
Finance income	(958,711)	(1,850,376)	(929,083)	(1,789,118)
Finance costs	1,150,648	1,680,261	878,202	1,596,326
(Increase) decrease in fair value of derivative financial asset	(1,686,900)	5,546,333	(1,686,900)	5,546,333
Changes in working capital:				
Trade and other receivables	(893,714)	1,490,660	(1,199,110)	(12,934,970)
Trade and other payables	26,868,227	13,292,890	30,863,248	19,642,768
Income received in advance	(5,036,525)	(46,702,919)	(4,337,837)	(46,535,427)
	12,197,505	3,702,982	13,197,988	(3,710,086)

19. Risk management

Overview

The Group and 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.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

19. Risk management (continued)

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 the 2010 FIFA World Cup Legacy Trust, the Confederation of African Football, FIFA and other sponsorships. Formal agreements are entered into which set out the terms and conditions of the funding.

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.

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.

Group

At 30 June 2018	Carrying amount	Contractual cashflows	12 months or less	1 to 5 years
• Trade and other payables	149,904,358	149,904,358	149,904,358	-
• Interest bearing loans	3,741,845	3,741,845	3,741,845	-

At 30 June 2017	Carrying amount	Contractual cashflows	12 months or less	1 to 5 years
• Trade and other payables	124,681,557	124,681,557	124,681,557	-
• Interest bearing loans	8,251,301	8,251,301	7,524,660	726,641

Association

At 30 June 2018	Carrying amount	Contractual cashflows	12 months or less	1 to 5 years
• Trade and other payables	147,510,849	147,510,849	147,510,849	-
• Interest bearing loans	3,741,845	3,741,845	3,741,845	-

At 30 June 2017	Carrying amount	Contractual cashflows	12 months or less	1 to 5 years
• Trade and other payables	119,124,270	119,124,270	119,124,270	-
• Interest bearing loans	8,251,301	8,251,301	7,524,660	726,641

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

19. Risk management (continued)

Interest rate risk

Sensitivity analysis – Group and Association

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

	2018	2017
Loss for the year	(37,841)	(82,513)

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

Terms and debt repayment schedule

			2018		2017	
Group and Association	Nominal interest rate	Year of maturity	Fair value	Carrying amount	Fair value	Carrying amount
Instalment sale – Mercedes Benz Financial Services	10.52	31/10/2019	741,845	741,845	2,251,301	2,251,301
The 2010 FIFA World Cup Legacy Trust	6.00		3,000,000	3,000,000	6,000,000	6,000,000
	-		3,741,845	3,741,845	8,251,301	8,251,301

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	2018 Carrying	Fair value	2017 Carrying	Fair value
Financial asset	1	21,034,552	21,034,552	20,397,797	20,397,797
Trade and other receivables	2	45,323,230	45,323,230	46,254,344	46,254,344
Bank balances and cash	2	7,505,930	7,505,930	8,298,499	8,298,499
Interest-bearing loan	3	(3,741,845)	(3,741,845)	(8,251,301)	(8,251,301)
Trade and other payables	3	(149,904,358)	(149,904,358)	(124,681,557)	(124,681,557)
	-	(79,782,491)	(79,782,491)	(83,715,698)	(83,715,698)

Fair value versus carrying amounts – Association	Accounting classification	2018 Carrying	Fair value	2017 Carrying	Fair value
Financial asset	1	21,034,552	21,034,552	20,397,797	20,397,797
Trade and other receivables	2	49,621,713	49,621,713	42,466,550	42,466,550
Bank balances and cash	2	7,015,577	7,015,577	6,568,841	6,568,841
Interest-bearing loan	3	(3,741,845)	(3,741,845)	(8,251,301)	(8,251,301)
Trade and other payables	3	(147,510,849)	(147,510,849)	(119,124,270)	(119,124,270)
	-	(82,313,880)	(82,313,880)	(57,942,383)	(57,942,383)

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

19. Risk management (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 tables 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 2018.

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

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

Figures in Rand	2018	Group 2017	Association 2018	2017
20. Related parties				
Relationships				
Related party balances				
Loan accounts - Owing (to) by related parties				
Council members – Receivable in respect of motor vehicles	3,905,697	4,835,925	3,905,697	4,835,925
The amounts are settled by honoraria payable to members				
South African Football Association Development Agency amount due	-	-	5,655,148	5,626,583
The 2010 FIFA World Cup Legacy Trust (refer to note 15 for terms and conditions)	(3,000,000)	(6,000,000)	(3,000,000)	(6,000,000)
Related party transactions				
Council				
Honoraria	4,469,680	4,762,497	4,469,680	4,762,497
Allowances	3,914,555	1,170,805	3,914,555	1,170,805
	8,384,235	5,933,302	8,384,235	5,933,302
Key management personnel remuneration	10,439,029	9,670,708	10,439,029	9,670,708
The 2010 FIFA World Cup Legacy Trust – Grants received	42,505,152	59,200,982	42,505,152	59,200,982
South African Football Association Development	-	-	18,565	-

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

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

21. Going concern

The Group and Association incurred a net loss of R15.9 million and R18 million respectively for the year ended 30 June 2018 and, as of that date, the Group's and Association's current liabilities exceeded its current assets by R99.6 million (excluding income received in advance which will not crystallise as a cash outflow) and R93.3 million. The Group continues to pursue its plans of improving this position and is still determined to achieve a net current asset position within the next few years. It is quite important for this position to be achieved because it would result in the debts being settled quicker. The Group has therefore set out to achieve significant operating surplus during the next few years in order to achieve a net current asset position.

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. The Group also continues to exploit a number of revenue opportunities that it identified previously. This is being combined with the implementation of its financial recovery plan which is expected to achieve a fair amount of success in the medium to long term.

We are finalising the negotiations for an extension of our broadcast rights agreement. Efforts are being made to ensure that the parties, SABC and SAFA, will sign a mutually beneficial agreement soon. The Government is also assisting in facilitating the finalisation of these negotiations. We are also negotiating with a few broadcasters for the sale of our satellite rights. With the continuous advancement of technology, the broadcast market has broadened and now includes the domestic market, rest of Africa, worldwide and internet rights.

We are also negotiating with a number of potential sponsors for the sale of rights for a number of our properties. These properties include junior national teams, coaching education and leagues. We are making some steady progress in that regard. In September 2018, we launched a sponsorship for our referees by OUTsurance.

During the run-up to the 2010 FIFA World Cup™, FIFA launched a programme named "Win in Africa with Africa" to support the development of the game on the African continent. The South African Government committed USD \$10 million for the African Diaspora legacy programme, specifically for the Caribbean countries. FIFA agreed to administer the fund through the FIFA account. As part of its African Renaissance philosophy, the South African Government reached out to the African Diaspora to incorporate them in the programme for them to benefit from the first FIFA World Cup™ on African soil. FIFA transferred the funds, USD \$10m, to the Caribbean countries, on behalf of the South African Government. FIFA then deducted these funds from SAFA's share of the 2010 FIFA World Cup™ ticketing revenue. SAFA is now in negotiations with the South African Government for the reimbursement of this amount to SAFA.

We are in the process of appointing a new agency to manage our entire licensing and merchandising programme. This programme is expected to bring in additional and unencumbered revenue to the Group. This will be achieved through the selling of a wide range of our merchandise via in-house merchandising stores, independent fashion houses and department stores.

The FIFA Forward programme is still in place and we will continue to benefit from it as a FIFA Member Association. The Operational Costs and Project funding has been increased from US \$1.25 million per annum to US \$1.5 million per annum. These funds go a long way in covering our normal operational costs and some projects.

In July 2016, CAF advised us that due to its improved commercial arrangements, its members associations will now receive bigger shares of the CAF TV rights. Member Associations are now guaranteed a share of the TV revenue by participating in any of the CAF competitions. CAF has also introduced the annual CAF Grant and each Member Association receives \$100,000.00 with effect from 1 July 2017. The financial benefits of this grant commenced in the 2018 financial year (1 July 2017). We have already received 2 grants, that is 1 July 2017 and 1 July 2018. These grants will continue to be paid by CAF, thus assuring us of future funding.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

21. Going concern (continued)

We continue to have access to various grants which go toward our development programmes. The 2010 FIFA World Cup Legacy Trust ("the Trust") continues to support our development activities. We have successfully applied for regular funding since 2013 and we expect this funding to continue in the future. This means that the SAFA's development programmes will continue unhampered. Therefore, management's efforts can be channelled towards generating funds for other programmes and improving the current assets position of the Group.

The National Lotteries Commission also continues to make funds available for some of our activities. We were recently granted funding for a Women's Coaching course and we submitted other applications to support our National Teams that are preparing for major tournaments. We anticipate to get positive responses to our submissions.

Sport and Recreation South Africa ("SRSA") has provided us with a grant of R2 million per year during the past 2 years; so this funding is now consistent. These funds are assisting with our Schools' Football activities, Grassroots programmes and Women's Football development.

SETA / CATHSETA funding: The Association pays towards the Skills Development Levy on a regular basis. It contributes both on the permanent and non-permanent payroll. Previously we have only received training funds from CATHSETA for permanent staff training. We have now decided to try accessing funding for non-permanent staff like referees and coaches courses. We are confident that our funding applications will be considered favourably.

The Government has a number of initiatives that are aimed at encouraging social cohesion and healthy lifestyles and funding is provided towards this. Football plays a significant role in assisting the Government in its efforts. We will, therefore, work closely with Government so that they can fund our existing football development programmes, especially at grassroots level.

The Fun Valley business is a profitable one and these profits will contribute towards the financial recovery of the Association. These profits will be used to improve Fun Valley so that we can gain more patronage and improve the business' profitability. We are now hosting a number of our events at Fun Valley. These include hosting our National Teams, coaching courses, administration workshops, tournaments, etc. This is resulting in significant cost savings for the Association, especially accommodation costs. The National Technical Centre upgrades are still in progress. We should have at least 3 soccer pitches and a completed boundary wall during the 2019 financial year. This will result in cost savings of hiring soccer fields and travelling costs as well. With the FIFA Forward Programme, we are assured of a financial allocation for infrastructure upgrades at the National Technical Centre annually. There is also potential of getting other funders to support the development of the football mother body's National Technical Centre. The infrastructure development at the National Technical Centre will boost our income statement and balance sheet.

We have established SAFA Digital which will be responsible for the digitisation of our Members' data and commercial exploitation of this Members' database.

Broadly SAFA Digital comprises of 8 sub-projects which are:

- Registration system
- Competition system
- Amateur football results website
- Talent identification
- SAFA.net
- Digital Content team
- Social Media Operations
- E-Commerce

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

21. Going concern (continued)

The commercial opportunities associated with SAFA Digital are as follows:

- Telco partnership that will benefit both SAFA and its members (Regions)
- 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

Our application for seed capital from the 2010 FIFA World Cup Legacy Trust was approved in November 2018.

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

The Group 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 Council believes that the Group will be successful in its continuing efforts of growing its revenue base as outlined above. It is also satisfied that the Group is able to meet its working capital liabilities through the normal cyclical nature of its receipts and payments. Further, the Council is intensifying its efforts in monitoring the Group's ongoing working capital requirements and minimising expenditure commitments. It is also increasing its focus on maintaining an appropriate level of overheads in line with the Group's available cash resources.

The Group has a healthy balance sheet which has a significant amount of non-current assets. These assets include property and financial assets invested in a company that is listed on the Johannesburg Stock Exchange (refer to note 10).

The Association, as the football controlling body in the country, is considered to be a national asset. It is due to this status that it works very closely with the Government and enjoys its support.

The Council is therefore confident that the Group is a going concern.

22. 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 2018.

23. Contingent liability

The Association is a defendant in a case where Fli Afrika is claiming R14 million from the Association. This relates 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 matter was heard in the Johannesburg High Court from 28 October to 4 November 2016 and the court ruled in the Association's favour. Fli Afrika appealed the High Court judgement and the appeal was heard on 13 June 2018 and judgement was delivered on 24 August 2018 and the judges ruled in Fli Afrika's favour. The Association is now appealing this ruling in the Supreme Court of Appeal ("SCA") and the appeal date is still to be decided.

South African Football Association

Notes to the Group Financial Statements and Association Financial Statements

for the year ended 30 June 2018 (continued)

23. Contingent liability (continued)

Based on the legal advice received, the Council is confident that the Association will win the appeal in the SCA.

A former Chief Executive Officer of the Association is suing the Association for defamation of character following his banning by FIFA from all football activities. This matter will be heard in the Johannesburg High Court in February 2019. Based on the legal advice received, the Council is confident that the Association will win this case.

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

In 2014, the SAFA Congress decided that Schools' Football will now be organised and run by the Association instead of the South African Schools Football Association ("SASFA"). SASFA approached the Johannesburg High Court in a bid to have this Congress decision overturned. The Johannesburg High Court ruled that this matter should be heard by an arbitrator. The matter was then heard by the arbitrator in August 2018 and we are now waiting for the arbitrator's ruling.

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

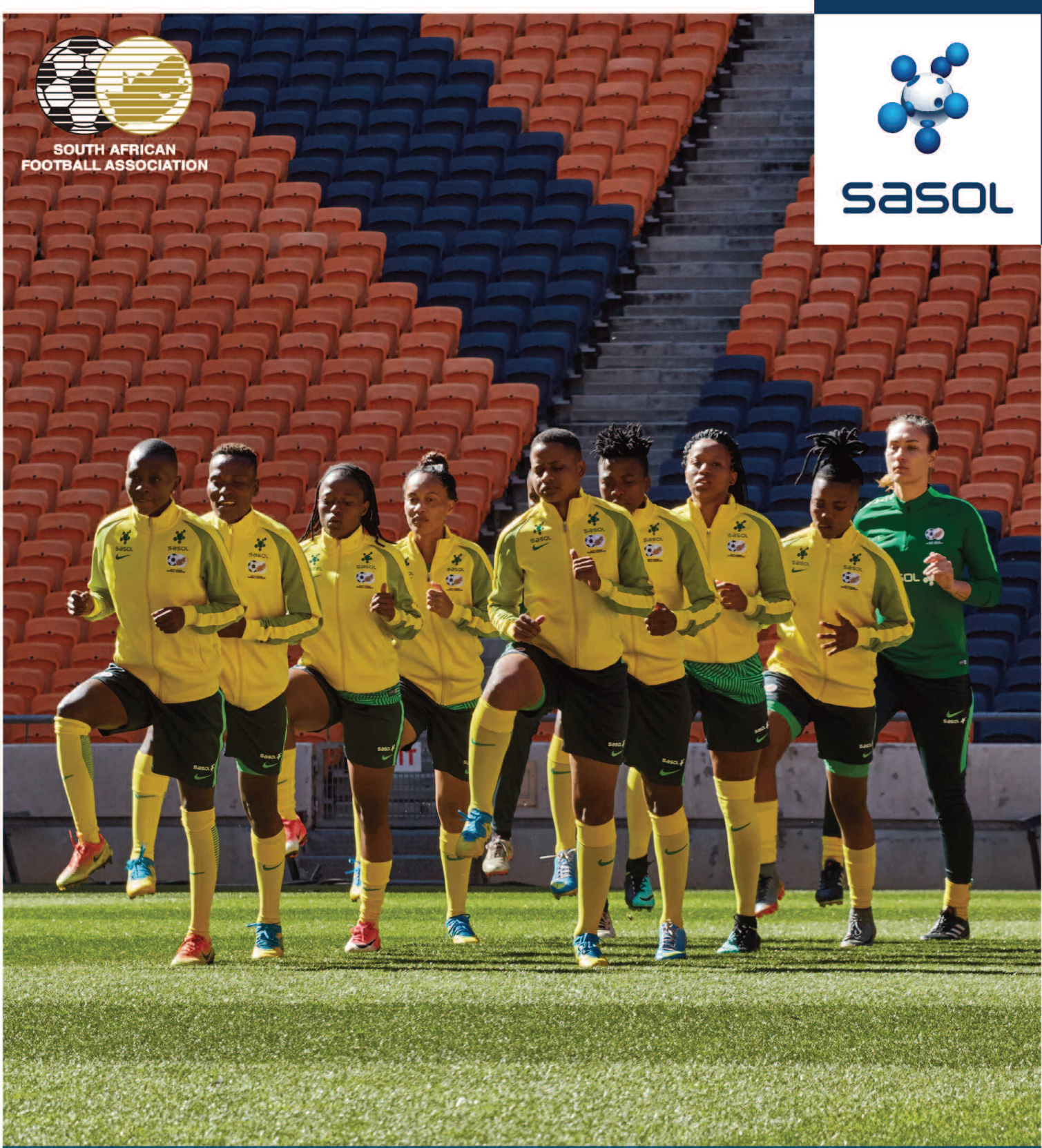
South African Football Association

Detailed Income Statement

for the year ended 30 June 2018

Figures in Rand	Note(s)	2018	Group 2017	2018	Association 2017
Revenue					
Television broadcasting rights		92,859,400	111,474,222	92,859,400	111,474,222
Ticketing revenue		1,203,376	1,964,589	1,203,376	1,964,589
National Technical Centre – day visitors and use of facilities		6,579,810	6,617,352	6,579,810	6,617,352
Rental income		226,560	653,068	226,560	653,068
Host cities' income		5,040,053	10,228,070	5,040,053	10,228,070
Sponsorship income		148,376,935	167,535,726	134,980,475	148,345,354
2010 FIFA World Cup Legacy Trust – grants		49,827,163	59,200,982	49,827,163	59,200,982
	3	304,113,297	357,674,009	290,716,837	338,483,637
Other operating income					
Other income		2,159,859	1,170,172	2,159,859	1,170,172
Other operating expenses					
National Team costs		(84,801,300)	(79,366,697)	(84,801,300)	(79,366,697)
Competition and leagues costs		(31,862,984)	(27,931,279)	(31,862,984)	(27,931,279)
Football development costs		(41,171,295)	(69,366,953)	(41,171,295)	(51,241,997)
Governance costs		(10,621,027)	(9,133,448)	(10,621,027)	(9,133,448)
National Technical Centre		(5,411,751)	(5,262,979)	(5,411,751)	(5,262,979)
Other administration costs		(141,145,282)	(132,160,474)	(131,136,652)	(130,599,866)
Depreciation		(8,692,316)	(8,162,404)	(7,642,492)	(7,441,991)
		(323,705,955)	(331,384,234)	(312,647,501)	(310,978,257)
Operating (loss) profit	4	(17,432,799)	27,459,947	(19,770,805)	28,675,552
Finance income	5	958,711	1,850,376	929,083	1,789,118
Finance costs	6	(1,150,648)	(1,680,261)	(878,202)	(1,596,326)
Other non-operating gains (losses)					
Profit (loss) on sale of non-current assets		74,412	(184,239)	74,412	(184,239)
Increase (decrease) in fair value of financial asset		1,686,900	(5,546,333)	1,686,900	(5,546,333)
(Loss) profit for the year		(15,863,424)	21,899,490	(17,958,612)	23,137,772

The supplementary information presented does not form part of the Group Financial Statements and Association Financial Statements and is unaudited.



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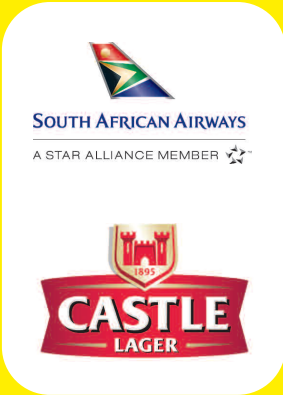
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