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South African Football Association

GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2012

SOUTH AFRICAN
FOOTBALL ASSOCIATION

Annual Financial Statements

South African Football Association

Annual Financial Statements
for the year ended 30 June 2012

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South African Football Association

National Executive Committee's responsibility statement

The National Executive Committee is responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of South African Football Association, comprising the statements of financial position at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the National Executive Committee report, in accordance with International Financial Reporting Standards.

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

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

The auditor is responsible for reporting on whether the group annual financial statements and annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the group annual financial statements and annual financial statements

The group annual financial statements and annual financial statements of South African Football Association for the year ended 30 June 2012 set out on pages 6 to 39 were approved by the National Executive Committee on 18 August 2012 and are signed by:

K Nematandani
President

R Petersen
Chief Executive Officer

South African Football Association

National Executive Committee's statement on corporate governance
for the year ended 30 June 2012

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

The Committee is in the process of addressing full compliance with all generally accepted principles embodied in the Code.

Group annual financial statements and annual financial statements

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

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

Internal controls

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

Finance committee

The committee members are appointed by the National Executive Committee.

The committee has met regularly over the past year to discuss accounting, auditing, internal control and other financially related matters. The committee provides an independent forum through which the independent auditors report to the National Executive Committee.

Nature of business

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.

KPMG

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

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

Independent auditor's report

To the members of the South African Football Association

We have audited the group annual financial statements and annual financial statements of the South African Football Association, which comprise the statements of financial position at 30 June 2012, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and report of the National Executive Committee, as set out on pages 8 to 39.

National Executive Committee's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the consolidated and separate financial position of South African Football Association at 30 June 2012, and its consolidated and separate financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Emphasis of matter

Without qualifying our opinion, we draw attention to:

- The note titled property, plant and equipment in the report of the National Executive Committee which indicates that the land on which SAFA House has been built belongs to the Government of South Africa. The report also indicates that there is no indication that the Government will request the Association to vacate the buildings and accordingly the matter does not affect the value of the Association's right to SAFA House.

Our opinion in not qualified in respect of this matter.

KPMG Inc.

Per N Keshav
Chartered Accountant (SA)
Registered Auditor
Director
18 August 2012

South African Football Association

Composition of the National Executive Committee
for the year ended 30 June 2012

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

President
Kirsten NEMATANDANI

Vice Presidents
Irvin KHOZA
Mandla MAZIBUKO
Mwelo NONKONYANA
Danny JORDAAN

Members
Abel RAKOMA
Alpha MCHUNU
Anthony REEVES
Aubrey BAARTMAN
Andile NDENGEZI
David ZULU
Elvis SHISHANA
Eric MTSHATSHA
Fanyana SIBANYONI
Gerald DON
Henry MOSESE
Jan KOOPMAN
Jeremiah MDLALOSE
Kaizer MOTAUNG
Khorombi NEMAVHOLA
Lefore LEREFOLO
Lucas NHLAPO
Morris TSHABALALA
Mato MADLALA
Mzwandile MAFORVANE
Mzimkhulu NDLELO
Nomsa MAHLANGU
Paseka NKONE
Poobalan GOVINDASAMY
Robin PETERSEN (Chief Executive Officer Appointed 1 August 2011)
Samuel MASITENYANE
Stanley MATTHEWS
Theodore KHUPE
Truman PRINCE
Velaphi KUBEKA
Vincent TSEKA
Xolani MTUMTUM

South African Football Association

Composition of the National Executive Committee
for the year ended 30 June 2012 (continued)

Honorary Presidents
Lesole GADINABOKAO
Molefi OLIPHANT

Honorary Member
Leepile TAUNYANE

The above members, save for the position of the Chief Executive Officer, and where indicated otherwise were elected onto the National Executive Committee on 26 September 2009 and 3 December 2010. In terms of paragraph 13.23 of the Association's constitution, these members will hold office for a period of four years until the next election in September 2013.

South African Football Association

Report of the National Executive Committee
for the year ended 30 June 2012

Financial results

The Group's results are contained in the attached financial statements. The Group incurred a loss of R59 ,5 million (2011: Association profit of R56,6 million before tax). The Association incurred a net loss of R56,5 million (2011: Association profit of R59,3 million after tax). This includes non-recurring losses from the impairment of assets of R15,9 m, additional depreciation of R7 million from unproductive assets, and a R6 million provision for loss in Afcon 2013 LOC incurred until June 2012. The loss from our core operations was therefore R27,6 million, which was incurred through a full programme of all our National teams, including the Olympic preparations for our Senior Women's National Team, and an increase in investment in football development and competitions. We were able to reduce our operational costs through cost containment measures, and intend to intensify these going forward.

In prior years the Association embarked on an intensive preparation programme for the 2010 FIFA World Cup™. This inherently resulted in an expanded cost structure for the Association which was adequately supported by strong revenues that were generated mainly from sponsors and FIFA. However post World Cup, the revenues have decreased and the costs are still at high levels. Although cost reduction mechanisms were put in place during the financial year, and operational expenditure consequently declined, these cost reductions failed to cover the liquidity gap of R61million inherited from the previous year.

We had hoped to achieve revenue targets last year of R340 million, based on the renewals of our key partners, ABSA and SAB, and the signing of new broadcast deals for both free to air and pay television. These renewals were delayed due to the difficult negotiations on the sale of the Broadcast rights. We were able to conclude a significantly improved free to air broadcast package with the South African Broadcast Corporation (SABC), but have not as yet finalised a pay television deal.

The failure of the men's Senior National team to qualify for the African Cup of Nations in 2012 also negatively impacted these negotiations. Both ABSA and Castle have now renewed their sponsorships, but at lower than anticipated levels. Going forward, we have plans to make up this revenue with other sponsors and other funding sources.

We have included an impairment of busses and equipment charge of R15,9 million in arriving at a loss before tax. In terms of IAS 36 – Impairment of Assets – an asset is impaired when its carrying amount exceeds its recoverable amount. It is the Association's view that the carrying amount of the busses and the scanners were more than the expected sale value. This was based on a number of offers that we received from potential buyers.

Additional depreciation of R7 million was also incurred as a result of the increase in our vehicle assets. The sale of the buses going forward will reduce this charge.

The Group is showing a strong balance sheet with a net asset value of R42,3 million. This is mainly attributed to the value of its fixed assets which include SAFA House, vehicles and an investment in Network Healthcare Holdings Limited ("Netcare") shares.

Going concern

The Group and Association incurred a net loss of R56,5 million for the year ended 30 June 2012 and, as of that date, the Group and the Association's current liabilities exceeded its current assets by R92,9 million.

The Association has plans in place to remedy this situation and also to meet its budgetary requirements for the forthcoming year. Accordingly the Association has developed a robust fundraising strategy that is now being implemented vigorously. The new broadcast contract with the SABC has additional rights and the Association can generate additional revenue from these. Further sponsors were identified, and a new supplier deal has been signed with Tiger Brands. Tsogo Sun has renewed their long-standing relationship with SAFA, and we are in advanced discussions with a number of additional partners and suppliers. We have also developed a new strategy for funding our football development programme, which will enable us to access CSI and other developmental funding. We have also received significant support from Host Cities and Provinces for the staging of home matches of our National Teams.

The Association has commenced a restructuring process in response to difficult market conditions and a high cost structure which was the result of an intensive preparation programme for the 2010 FIFA World Cup™. It has adopted a two-pronged approach, that is, raising additional funding and reducing and realigning costs to funding.

The Association has secured significant funding for the coming year, and is confident of raising the balance of the funding required for its operations and its past liabilities. A substantial portion of this funding has been contractually formalised, and other portions have been confirmed and are in the final stages of negotiations. In addition, the Association has commenced on the process of liquidating some of its non-productive assets and it expects to realise additional revenues that are much needed for development programmes. This sale of assets will also significantly reduce our depreciation and insurance costs. Cash flows received subsequent to the financial year have also reduced some critical liabilities. Other funders are committed to supporting the development programmes of the Association, and this will ensure the continuing investment in the Association's core mandate.

Management has also prepared a stringent budget that has a special emphasis on funded programmes. Certain programmes undertaken in previous years will only be considered when funding has been secured. It is now a constitutional requirement that the budget must be approved by the members at the Congress. Any future approval of programmes or activities will be linked to the approved budget. We have also put in place a financial, procurement, internal audit and company secretarial platform with Ernst &Young, which will provide a basis for improved controls and reporting.

The National Executive Committee is therefore confident that these measures will result in the Association and its subsidiaries being able to continue as a going concern for the foreseeable future. Accordingly, these financial statements have been prepared on a going concern basis which presumes that assets will be realised and liabilities settled in the normal course of business and there will be sufficient income to fund development activities and other events for at least twelve months after the date of these annual financial statements.

Property, plant and equipment

Details of changes in property, plant and equipment are shown in note 7 to the annual financial statements.

The Association received a grant from FIFA for the development of SAFA House during the 2006 financial year. SAFA House has been built on land to which the Association was granted a right to erect improvements. This land belongs to the Department of Public Works. There is an understanding that the land on which SAFA house was built, would ultimately be transferred to the Association. At the date of this report this has not happened. The Association is in the process of resolving this matter with the Government

South African Football Association

Report of the National Executive Committee
for the year ended 30 June 2012 (continued)

but currently there is no indication that the Government will request the Association to vacate the building. In the opinion of the National Executive Committee the matter does not affect the value of, or the Association's rights to SAFA House.

Subsequent events

Since the financial year-end, the process of restructuring the organisation has begun, and a new and sustainable organisational structure is in the process of being implemented.

No significant events have occurred after the 30 June 2012 that will have an impact on the reported financial results.

Auditors

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

Financial asset

Network Healthcare Holdings Limited ("Netcare") established the Healthy Lifestyle Trust as part of its Broad Based Black Economic Empowerment initiative. The Association was allocated 4 million trust units. This investment has been accounted for in terms of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement". Refer to note 9.

The Association had an option to dispose 40% (forty per cent) of its shares for cash from the 12 October 2011. Management has started the process of liquidating the shares that are now due. Management also intends to liquidate the additional 20% (twenty per cent) shares that will become due on the 12 October 2012.

Group Annual Financial Statements

The Association has not consolidated the financial statements of the SA Commercial Holdings (Pty) Ltd, SA Football (Proprietary) Limited, SA Infrastructure Development Foundation and 2010 FIFA Legacy Trust. The reasons for not preparing the consolidated financial statements have been noted below. The National Executive Committee ("NEC) is satisfied that the financial position of the Association is fairly presented without consolidating the above-mentioned entities.

SA Football (Pty) Ltd

The Association has not consolidated the financial statements of SA Football (Pty) Ltd. In the opinion of the National Executive Committee, the impact of not consolidating SA Football (Pty) Ltd is not material. Accordingly, SA Football (Pty) Ltd has been accounted for at cost of R100 and has been dormant since June 2007.

SA Infrastructure Development Foundation

The Association has a 100% (one hundred per cent) shareholding in SA Infrastructure Development Foundation. However there were no financial activities that occurred in SA Infrastructure Development Foundation during the financial year under review. Therefore, in the opinion of the National Executive Committee, the impact of not consolidating SA Infrastructure Development Foundation is not material.

SA Commercial Holdings (Pty) Ltd

The SA Commercial Holdings (Pty) Ltd is a new entity that was set up by the Association for commercial ventures and sponsorship income. The Association has a 100% (one hundred per cent) shareholding in SA Commercial Holdings (Pty) Ltd and therefore needs to be consolidated. However there has been no trading activity in this entity.

Afcon 2013 LOC (Pty) Ltd

The Afcon 2013 LOC (Pty) Ltd has been established to organise and host the African Cup of Nations tournament in South Africa in 2013. The Association was granted the rights by CAF to host this tournament and thereafter ceded these rights to the Afcon 2013 LOC. The Association has appointed the majority of the directors and government is expected to be the major funder. Afcon 2013 LOC has therefore been consolidated.

Taxation

On the 3 June 2010, the association was approved by the South African Revenue Services ("SARS") as a public benefit organization ("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.

The Association incurred a taxable loss in the current year and thus no income tax expense has been accrued for the year. The Association also had an assessed loss that was carried from prior years and this was mainly a result of the PBO status. In the prior year the association had a deferred tax asset of R3,6 million and in the current year the deferred tax asset amounted to R3,3 million. The deferred asset is mainly a result of income received in advance and the revaluation of the Netcare shares. The Association has recognised a tax credit in the current year income statement. This tax credit is a result of an expected income tax refund after the tax assessments have been finalised.

The Association's income tax returns for 2008, 2010 and 2011have been assessed and finalised. However the tax returns for 2007 and 2009 have been submitted but not assessed as yet by SARS. There is ongoing engagement with SARS to get these returns assessed and finalised, and a further refund of R7 million is expected, but this amount has not been accounted for in the current financial year.

Addresses

Business address –	Postal address –
SAFA House	PO Box 910
76 Nasrec Road	Johannesburg
Nasrec Ext 3	2000
Johannesburg	

South African Football Association

Statements of comprehensive income
for the year ended 30 June 2012

	Note	Group 2012 R	Association 2012 R	Association 2011 R
Revenue				
Sponsorship income		**235 901 166**	**235 901 166**	251 310 725
FIFA grant				2 308 000
Rental income		**767 965**	**767 965**	3 242 349
FIFA 2010 World Cup Legacy Fund – contributions of cash and equipment		**39 999 997**	**39 999 997**	72 975 575
2010 FIFA World Cup Local Organising Committee – contribution of cash and equipment		**35 782 000**	**35 782 000**	36 258 690
		312 451 128	**312 451 128**	366 095 339
Total expenses		**(361 285 064)**	**(355 232 644)**	(328 718 505)
National team costs		**(122 749 675)**	**(122 749 675)**	(105 009 093)
Competition and leagues costs		**(34 061 456)**	**(34 061 456)**	(30 696 677)
Football development costs		**(58 014 068)**	**(58 014 068)**	(49 015 899)
Governance costs		**(15 498 558)**	**(15 498 558)**	(14 481 535)
Events related expenditure		**(4 740 905)**	**(4 740 905)**	(23 633 492)
Other administration costs		**(126 220 402)**	**(120 167 982)**	(135 285 466)
Recovery of cost of world cup tickets	3	–	–	29 403 657
(Loss)/profit from operations	4	**(48 833 936)**	**(42 781 516)**	37 376 834
Increase in fair value of financial asset		**3 464 557**	**3 464 557**	7 361 877
Impairment of busses and equipment		**(15 909 259)**	**(15 909 259)**	–
Impairment of investment in joint venture		–	–	(2 967 635)
Provision for losses in subsidiary			**(5 935 210)**	–
Other income		**4 760 337**	**4 760 337**	21 692 661
Finance costs	5	**(3 510 698)**	**(3 510 698)**	(8 518 811)
Finance income	5	**479 073**	**361 863**	1 611 548
(Loss)/profit before taxation		**(59 549 926)**	**(59 549 926)**	56 556 474
Taxation credit	6	**3 077 949**	**3 077 949**	2 705 820
(Loss)/profit for the year		**(56 471 977)**	**(56 471 977)**	59 262 294
Other comprehensive income		–	–	–
Total comprehensive (loss)/income		**(56 471 977)**	**(56 471 977**	59 262 294

South African Football Association

Statements of financial position
at 30 June 2012

	Note	Group 2012 R	Association 2012 R	Association 2011 R
Assets				
Non-current assets				
Property, plant and equipment	7	**100 003 691**	**100 003 691**	126 976 343
Financial asset	8	**31 750 000**	**31 750 000**	28 285 443
Intangible asset	9	**5 000 000**	**5 000 000**	5 000 000
Investment in subsidiaries	10		**101**	100
Deferred tax asset	11	**3 323 938**	**3 323 938**	6 581 418
Total non-current assets		**140 077 629**	**140 077 730**	166 843 304
Current assets				
Trade and other receivables	*12*	**46 625 486**	**54 953 810**	46 027 223
Bank balances and cash	*17*	**16 613 502**	**13 161 222**	30 494 132
Taxation prepaid		**3 599 130**	**3 599 130**	–
Assets classified as held for sale	*13*	**17 600 000**	**17 600 000**	9 683 100
Total current assets		**84 438 118**	**89 314 162**	86 204 455
Total assets		**224 515 747**	**229 391 892**	253 047 759
Reserves				
Retained earnings		**42 293 987**	**42 293 987**	98 765 964
Liabilities				
Non-current liabilities				
Long-term liabilities	*14*	**4 846 009**	**4 846 009**	7 063 637
Total non-current liabilities		**4 846 009**	**4 846 009**	7 063 637
Current liabilities				
Trade and other payables	*15*	**139 952 908**	**144 834 053**	107 380 272
Current portion of long-term liabilities	*14*	**2 231 133**	**2 231 133**	2 037 454
Income received in advance	*16*	**21 491 977**	**21 491 977**	35 064 133
Taxation payable		**–**	**–**	2 736 299
Bank overdraft	*17*	**13 699 733**	**13 699 733**	–
Total current liabilities		**177 375 751**	**182 251 896**	147 218 158
Total reserves and liabilities		**224 515 747**	**229 391 892**	253 047 759

South African Football Association

Statements of changes in equity
for the year ended 30 June 2012

	Total retained income R
Group	
Balance at 30 June 2010	39 503 670
Profit for the year	59 262 294
Other comprehensive income	–
Balance at 30 June 2011	**98 765 964**
Loss for the year	**(56 471 977)**
Other comprehensive income	–
Balance at 30 June 2012	42 293 987
Association	
Balance at 30 June 2010	39 503 670
Profit for the year	59 262 294
Other comprehensive income	–
Balance at 30 June 2011	**98 765 964**
Loss for the year	**(56 471 977)**
Other comprehensive income	–
Balance at 30 June 2012	**42 293 987**

South African Football Association

Statements of cash flows
for the year ended 30 June 2012

	Note	Group 2012 R	Association 2012 R	Association 2011 R
Operating activities:				
Cash generated from /(utilised in) operations	18	**764 924**	**(2 570 145)**	2 182 569
Finance income		**479 073**	**361 863**	1 611 548
Finance costs (excluding foreign exchange losses)		**(3 219 088)**	**(3 219 088)**	(3 348 626)
Taxation paid	19	–	–	–
Net cash generated by/(utilised in) operating activities		**(1 975 091)**	**(5 427 370)**	445 491
Investing activities:				
Acquisition of interest in subsidiaries			**(1)**	–
Additions to property, plant and equipment	20	**(23 632 405)**	**(23 632 405)**	(1 431 529)
Proceeds from disposal of property, plant and equipment	21	**51 082**	**51 082**	364 392
Net cash used in investing activities		**(23 581 323)**	**(23 581 324)**	(1 067 137)
Financing activities:				
Decrease in long-term liabilities		**(2 217 628)**	**(2 217 628)**	(1 629 189)
Increase/ (decrease) in current portion of long-term liabilities		**193 679**	**193 679**	(215 342)
Net outflow inflow from financing activities		**(2 023 949)**	**(2 023 949)**	(1 844 531)
Net decrease in cash and cash equivalents		**(27 580 363)**	**(31 032 643)**	(2 466 177)
Cash and cash equivalents at beginning of the year		**30 494 132**	**30 494 132**	32 960 309
Cash and cash equivalents at end of the year	17	**2 913 769**	**(538 511)**	30 494 132

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012

1. Reporting entity

The South African Football Association ("Association") is domiciled in South Africa. The Association and Group annual financial statements for the year ended 30 June 2012 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 to promote, advance, administer, co-ordinate and generally encourage the game of football in South Africa.

1.2 Basis of preparation

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

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

2. Summary of significant accounting policies

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

2.1 Property, plant and equipment

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

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

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

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

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

2.1 Property, plant and equipment *(continued)*

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

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

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

2.2 Intangible asset

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

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

2.3 Basis of consolidation

Investment in subsidiaries

Subsidiaries are entities controlled by the Association. Control exists when the Association has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account. 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 annual financial statements incorporate the assets, liabilities and results of the operations of the company 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.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

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

2.4 Non-current assets held for sale

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale if they are to be disposed of within the next twelve months. Immediately before classification as held for sale, the assets are remeasured in accordance with the Association's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

2.5 Investment in joint ventures

Investments in joint ventures are accounted for using equity method of accounting and are initially recognised at cost.

2.6 Impairment

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

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

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

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

2.7 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".

2.8 Grant income

Grants are recognised in profit or loss as and when received.

Grants that are received as tangible assets are accounted for when received at fair value. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

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

2.9 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.

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

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

2.10 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. Provisions are measured as the Group's best estimate of the expenditure required to settle the obligation at reporting date, and are discounted to present value where the effect is material.

2.11 Financial instruments

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

Financial assets
Financial assets are initially measured at fair value at contract date and are re-measured to fair value at subsequent reporting dates.

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

Trade and other payables
Trade and other payables are measured at amortised cost.

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

Borrowings
Interest-bearing bank 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.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

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

2.12 Leasing

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

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

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

2.13 Revenue recognition

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

Revenue comprises sponsorship revenue from various sponsors, sale of broadcasting rights, royalties, gate revenue from competitions, club affiliation fees, advertising fees, 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. Grants are recognised in profit or loss as and when received. Income in respect of non-cash items is accounted for at the time of receipt of such items.

Interest income is recognised as it accrues in profit or loss using the effective interest method.

2.14 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest rate method.

2.15 Retirement benefits

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

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

2.16 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current 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 Association's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Association intends to settle its current tax assets and liabilities on a net basis.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

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

2.16 Taxation *(continued)*

Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate 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. In the case of a business combination, the tax effect takes into account in calculating goodwill or in determining the excess of the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.17 Employee benefits

Current employee benefits

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

The accruals for employee entitlements to wages, salaries and annual leave represent the amount which the company 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.

2.18 Significant accounting judgements and estimates

Preparing financial statements in conformity with International Financial Reporting Standards requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates. Judgements made by management in applying accounting policies, that could have a significant effect on the amounts recognised in the financial statements are:

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

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

Notes to the financial statements
for the year ended 30 June 2012 (continued)

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

2.18 Significant accounting judgements and estimates *(continued)*

Valuation of investments
The Group's interest in investment is a form of a call option.

The valuation has been performed by independent valuators based on the Monte Carlo method of simulation. The simulation method is dependant on a number of variables including share price volatility, interest rates and dividends.

Income taxes
The Group recognises the net future tax benefit related to deferred tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets required the Association to make significant estimates related to expectation of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in which the Group operates could limit the ability of the Association to obtain tax deductions in future periods.

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.

	Group	**Association**	
	2012	**2012**	2011
	R	**R**	R
3. Recovery of cost of World Cup tickets	–	–	29 403 657

Consists of 2010 FIFA World Cup™ tickets for the 2010 World Cup™ Tournament.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

	Group 2012 R	Association 2012 R	Association 2011 R
4. Profit from operations			
This is arrived at after taking the following items into account:			
Auditors' remuneration:	**670 000**	**670 000**	703 928
Audit fees			
– current year	**670 000**	**670 000**	680 000
– prior year under provision	**–**	**–**	23 928
Compensation of key management personnel – short term and termination benefits	**6 589 167**	**6 589 167**	11 891 214
National Executive Committee	**9 977 502**	**9 977 502**	6 417 775
– Honoraria	**5 121 375**	**5 121 375**	4 106 250
– Allowances	**4 856 127**	**4 856 127**	2 311 525
Consulting fees	**10 147 967**	**10 147 967**	14 554 156
Depreciation	**24 792 669**	**24 792 669**	17 272 121
– Buildings	**395 459**	**395 459**	395 460
– Furniture and fittings	**334 058**	**334 058**	264 792
– Leasehold property – SAFA House	**3 030 779**	**3 030 779**	3 307 724
– Motor vehicles	**5 123 246**	**5 123 246**	2 090 281
– Office equipment	**58 516**	**58 516**	43 522
– Computer equipment	**1 600 867**	**1 600 867**	1 396 280
– General equipment	**261 398**	**261 398**	204 940
– Buses	**13 988 346**	**13 988 346**	9 569 122
(Profit)/loss on disposal of property, plant and equipment	**(23 825)**	**(23 825)**	85 663
Retirement benefit costs	**6 683 716**	**6 683 716**	4 586 785
Other payroll costs	**78 799 005**	**78 799 005**	88 654 593
5. Finance (costs)/income			
Finance costs			
Interest paid – bank and finance charges	**(986 109)**	**(986 109)**	(888 019)
Interest on SARS liabilities	**–**	**–**	(2 460 607)
Interest paid – suppliers	**(2 232 979)**	**(2 232 979)**	
Foreign exchange losses	**(291 610)**	**(291 610)**	(5 170 185)
	(3 510 698)	**(3 510 698)**	(8 518 811)
Finance income			
Interest received – bank	**479 073**	**361 863**	1 465 531
Interest received – FIFA grants	**–**	**–**	146 017
	479 073	**361 863**	1 611 548

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

	Group 2012 R	Association 2012 R	Association 2011 R
6. Taxation credit			
Current year			
SA normal taxation			
– current taxation	–	–	–
– prior year over provision	**6 335 429**	**6 335 429**	–
Deferred taxation	**(3 257 480)**	**(3 257 480)**	2 705 820
	3 077 949	**3 077 949**	2 705 820
The charge for the year can be reconciled to the profit per the statement of comprehensive income as follows:			
(Loss)/profit before taxation	**(59 549 926)**	**(59 549 926)**	56 556 474
Tax at the domestic income tax rate of 28%	**16 673 979**	**16 673 979**	(15 835 812)
Tax effect of non-deductible expenses	**(1 299 913)**	**(6 304 403)**	(3 403 181)
Tax effect of income not subject to income tax	**39 956 716**	**36 956 716**	52 535 422
Tax effect of the assessed loss not recognised	**(55 588 262)**	**(50 583 772)**	(30 590 609)
Tax effect of prior year over provision	**6 335 429**	**6 335 429**	
	3 077 949	**3 077 949**	2 705 820

On the 3 June 2010, the Association was approved by the South African Revenue Services ("SARS") as a public benefit organisation ("PBO") in terms of Section 30(3) of the Income Tax Act ("the Act") effective from 1 July 2009. 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. In addition Section 11E of the Income Tax Act has been applied by the Association. This section allows sporting organisations to deduct expenses incurred in the development and promotion of amateur sport falling under the same code as the amateur sport it carries on. The tax computation for 2010 has been adjusted for submission to SARS.

No provision has been made for 2012 taxation as the Group has an estimated tax loss of R250.8 million (2011 – R207.3 million). A deferred tax asset in respect of computed tax losses of tax losses has not been recognised as it is not probable that future taxable profit will be available against which the Group could utilise this asset.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

7. Property, plant and equipment
Group and Association

2012	Land and buildings R	Leasehold property - SAFA House R	Furniture and fittings R	Motor vehicles R	Office equipment R	Computer equipment R	General equipment R	Buses R	Total R
Cost									
At 1 July 2011	7 909 199	60 615 571	2 149 791	17 854 878	431 989	7 937 802	1 429 209	63 420 076	161 748 515
Additions	–	–	1 098	9 282 000	43 123	302 153	180 972	22 748 159	32 557 505
Assets transferred to assets classified as held for sale								(36 655 630)	(36 655 630)
Disposals	–	–	–	–	–	(78 675)	–	(13 329 320)	(13 407 995)
At 30 June 2012	7 909 199	60 615 571	2 150 889	27 136 878	475 112	8 161 280	1 610 081	36 183 285	144 242 395
Accumulated depreciation and impairment									
At 1 July 2011	3 903 646	10 181 026	585 441	2 762 657	251 195	4 631 380	619 520	11 837 307	34 772 172
Depreciation	395 459	3 030 779	334 058	5 123 246	58 516	1 600 867	261 398	13 988 346	24 792 669
Impairment	–	–	–	–	–	–	–	6 226 259	6 226 259
Assets transferred to assets classified as held for sale								(19 055 630)	(19 055 630)
Disposals	–	–	–	–	–	(53 057)	–	(2 443 709)	(2 496 766)
At 30 June 2012	4 299 105	13 211 805	919 499	7 885 903	309 711	6 179 190	880 918	10 552 573	44 238 704
Carrying value									
At 1 July 2011	4 005 553	50 434 545	1 564 350	15 092 221	180 794	3 306 422	809 689	51 582 769	126 976 343
At 30 June 2012	3 610 094	47 403 766	1 231 390	19 250 975	165 401	1 982 090	729 263	25 630 712	100 003 691

Land and buildings comprises Erf 135 Hyde Park, extension 5, Sandton and improvements thereon and 209 The Raphael, Sandton extension 49 and are encumbered as disclosed in note 14 to the annual financial statements. As stated in the National Executive Committee's report, SAFA House has been erected on land that is not owned by the Association and therefore disclosed as leasehold property. In the opinion of the National Executive Committee, the capitalised cost of SAFA House approximates its market value. Motor vehicles are encumbered as disclosed in note 14 to the annual financial statements.

Notes to the financial statements
for the year ended 30 June 2012

7. Property, plant and equipment *(continued)*
Group and Association *(continued)*

2011	Land and buildings R	Leasehold property - SAFA House R	Furniture and fittings R	Motor vehicles R	Office equipment R	Computer equipment R	General equipment R	Buses R	Work in progress R	Total R
Cost										
At 1 July 2010	7 909 199	56 898 498	902 480	3 982 853	324 470	4 371 589	839 481	5 104 302	60 000	80 392 872
Additions	–	3 717 073	1 247 311	14 659 800	107 519	3 576 390	589 728	58 315 774	–	82 213 595
Disposals	–	–	–	(787 775)	–	(10 177)	–	–	(60 000)	(857 952)
At 30 June 2011	7 909 199	60 615 571	2 149 791	17 854 878	431 989	7 937 802	1 429 209	63 420 076	–	161 748 515
Accumulated depreciation										
At 1 July 2010	3 508 186	6 873 302	320 649	1 070 662	207 673	3 244 711	414 580	2 268 185	–	17 907 948
Depreciation	395 460	3 307 724	264 792	2 090 281	43 522	1 396 280	204 940	9 569 122	–	17 272 121
Disposals	–	–	–	(398 286)	–	(9 611)	–	–	–	(407 897)
At 30 June 2011	3 903 646	10 181 026	585 441	2 762 657	251 195	4 631 380	619 520	11 837 307	–	34 772 172
Carrying value										
At 1 July 2010	4 401 013	50 025 196	581 831	2 912 191	116 797	1 126 878	424 901	2 836 117	60 000	62 484 924
At 30 June 2011	4 005 553	50 434 545	1 564 350	15 092 221	180 794	3 306 422	809 689	51 582 769	–	126 976 343

Land and buildings comprises Erf 135 Hyde Park, extension 5, Sandton and improvements thereon and 209 The Raphael, Sandton extension 49 and are encumbered as disclosed in note 14 to the annual financial statements. As stated in the National Executive Committee's report, SAFA House has been erected on land that is not owned by the Association and therefore disclosed as leasehold property. In the opinion of the National Executive Committee, the capitalised cost of SAFA House approximates its market value.

Motor vehicles are encumbered as disclosed in note 14 to the annual financial statements.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

		Group 2012 R	Association 2012 R	Association 2011 R
8.	**Financial asset**			
	Fair value at beginning of the year	**28 285 443**	**28 285 443**	20 923 566
	Increase in fair value during the year	**3 464 557**	**3 464 557**	7 361 877
	Fair value at end of the year	**31 750 000**	**31 750 000**	28 285 443

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. The valuation has been performed by independent valuators based on the Monte Carlo simulation method at reporting date.

		Group 2012 R	Association 2012 R	Association 2011 R
9.	**Intangible asset**			
	Bafana Bafana trademark	**5 000 000**	**5 000 000**	5 000 000

The trademark was recently acquired 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. There is also no intention to change the name. 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.

Notes to the financial statements
for the year ended 30 June 2012 (continued)

10. Investment in subsidiaries

At cost

Name of subsidiary	Issued share capital R	Proportion of ownership %	Association 2012 R	Association 2011 R
SA Football Commercial Holdings Proprietary Limited	1	100	1	–
South African Football Association Infrastructure Development Foundation	–	100	–	–
SA Football Proprietary Limited	100	100	100	100
Afcon 2013 LOC Proprietary Limited	–	100	–	–
			101	100
National Executive Committee valuation			100	100

The subsidiary is incorporated in South Africa and is presently a dormant entity.

11. Deferred tax asset

	Group 2012 R	Association 2012 R	Association 2011 R
Balance at beginning of the year	6 581 418	6 581 418	3 875 598
Charge to statement of comprehensive income	(3 257 480)	(3 257 480)	2 705 820
Balance at end of the year	3 323 938	3 323 938	6 581 418
Comprising:			
Financial asset	(4 445 000)	(4 445 000)	(3 959 962)
Other	1 751 185	1 751 185	773 463
Income received in advance and deferred revenue	6 017 753	6 017 753	9 767 917
	3 323 938	3 323 938	6 581 418

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

	Group	Association	
	2012	**2012**	2011
	R	**R**	R
12. Trade and other receivables			
Trade receivables	**38 088 904**	**38 088 904**	35 562 676
Other receivables	**8 535 582**	**8 300 634**	10 464 547
Afcon 2013 LOC Proprietary Limited		**8 564 272**	–
	46 625 486	**54 953 810**	46 027 223

Trade and other receivables are shown net of a provision for doubtful debts of R2 791 537 (2011 – R2 142 650).

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

The average credit period on sponsorship revenue 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 Association has not provided. There has not been significant change in credit quality and amounts are still considered recoverable. The Association does not hold any collateral over these balances.

	Group	Association	
	2012	**2012**	2011
	R	**R**	R
Not past due	**26 682 861**	**26 682 861**	17 545 588
Past due 30 – 90 days	**11 406 043**	**11 406 043**	4 279 558
120 + days	**–**	–	13 737 530
	38 088 904	**38 088 904**	35 562 676

Notes to the financial statements
for the year ended 30 June 2012 (continued)

	Group 2012 R	Association 2012 R	Association 2011 R
12. Trade and other receivables *(continued)*			
Movement in the provision for impairment			
Balance at beginning of the year		**2 142 650**	3 448 801
Net movement in provision for impairment		**648 887**	(1 306 151)
		2 791 537	2 142 650

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

13. Assets classified as held for sale

In the current year this relates to busses that were donated by the 2010 FIFA World Cup Organising Committee SA in the prior years and 22 of these busses are intended for sale.

The prior year amounts relates to scanners and x-ray machines that were received from the 2010 FIFA World Cup Organising Committee SA in the prior years. During the current year these scanners were fully impaired.

	Group 2012 R	Association 2012 R	Association 2011 R
14. Long-term liabilities			
Instalment sale agreements	**2 733 178**	**2 733 178**	4 220 351
Less: current portion included under current liabilities	**(1 638 276)**	**(1 638 276)**	(1 487 173)
	1 094 902	**1 094 902**	2 733 178
Mortgage bond – Standard Bank and Rand Merchant Bank	**4 343 964**	**4 343 964**	4 880 740
Less: current portion included under current liabilities	**(592 857)**	**(592 857)**	(550 281)
	3 751 107	**3 751 107**	4 330 459
Long-term portion of long-term liabilities	**4 846 009**	**4 846 009**	7 063 637
Current portion of long-term liabilities	**2 231 133**	**2 231 133**	2 037 454
Total long-term liabilities	**7 077 142**	**7 077 142**	9 101 091

The instalment sale agreements are secured over motor vehicles detailed in note 7, with a carrying value of R 2 354 494 (2011 – R3 579 389). The monthly instalments per agreement is R152 566 (2011 – R129 947) per annum. Interest is payable at an average rate of 9% (2011 – 9%) per annum.

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

14. Long-term liabilities *(continued)*

Minimum payments
2012

	Within 1 year R	2 – 5 years R	5 years and over R	Total R
Minimum lease payments	**2 698 344**	**4 987 903**	**763 479**	**8 449 726**
Finance costs	**(467 211)**	**(805 674)**	**(99 699)**	**(1 372 584)**
Present value	**2 231 133**	**4 182 229**	**663 780**	**7 077 142**

Minimum payments
2011

	Within 1 year R	2 – 5 years R	5 years and over R	Total R
Minimum lease payments	2 709 287	6 795 448	2 449 502	11 954 237
Finance costs	(671 833)	(1 621 137)	(560 176)	(2 853 146)
Present value	2 037 454	5 174 311	1 889 326	9 101 091

The mortgage bond loans are secured by mortgage bonds registered against Erf 135 Hyde Park, extension 5, Sandton and improvements thereon and 209 The Raphael, Sandown extension, 49 Township.

Interest is charged at an average rate of 6.8% % (2011 – 6,8%) per annum and the loans are repayable in total monthly instalments of R72 566 (2011 – R72 566) per annum.

	Group 2012 R	Association 2012 R	Association 2011 R
15. Trade and other payables			
Trade payables	**113 700 134**	**119 635 344**	72 629 640
Sundry payables	**4 759 567**	**3 700 502**	19 120 518
Value Added Taxation	**4 364 270**	**4 364 270**	3 681 440
Salary-related payables	**17 128 937**	**17 128 937**	11 928 674
	139 952 908	**144 834 053**	107 380 272

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

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

		Group 2012 R	Association 2012 R	Association 2011 R
16.	**Income received in advance**			
	ABSA	–	–	5 114 455
	Coca-Cola	–	–	3 267 918
	Premier Soccer League	**6 999 996**	**6 999 996**	1 000 000
	PUMA	–	–	9 234 911
	Rand Merchant Bank Limited	–	–	–
	Sasol Oil (Proprietary) Limited	**1 158 669**	**1 158 669**	1 103 494
	Sisonke	–	–	–
	South African Airways	–	–	–
	South African Breweries Limited	**6 666 664**	**6 666 664**	15 343 363
	South African Broadcasting Corporation Limited	**6 666 667**	**6 666 667**	–
		21 491 996	**21 491 996**	35 064 133
17.	**Cash and cash equivalents at end of the year**			
	Bank and cash balances	**16 613 502**	**13 161 222**	30 494 132
	Bank overdraft	**(13 699 733)**	**(13 699 733)**	–
		2 913 769	**(538 511)**	30 494 132

The bank overdraft facilities of R15 million expired and was settled subsequent to year end.

		Group 2012 R	Association 2012 R	Association 2011 R
18.	**Cash generated by/(utilised in) operations**			
	(Loss)/ profit before taxation	**(59 549 926)**	**(59 549 926)**	56 556 474
	Adjustments for:			
	Depreciation for property, plant and equipment	**24 792 669**	**24 792 669**	17 272 121
	Donations of property, plant and equipment	**10 883 972**	**10 883 972**	–
	Impairments of property, plant and equipment	**15 909 259**	**15 909 259**	–
	Provision of losses in subsidiary	–	**5 935 210**	–
	(Profit)/loss on disposal of property, plant and equipment	**(23 825)**	**(23 825)**	85 663
	Property, plant and equipment received as donations (note 20)	**(8 925 000)**	**(8 925 000)**	(90 465 166)
	Finance income	**(479 073)**	**(361 863)**	(1 611 548)
	Finance costs (excluding foreign exchange losses)	**3 219 088**	**3 219 088**	3 348 626
	Decrease in joint venture investment	–	–	2 967 635
	Increase in fair value of derivative financial asset	**(3 464 557)**	**(3 464 557)**	(7 361 877)
	Operating loss before working capital changes	**(17 637 393)**	**(11 584 973)**	(19 208 072)

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

		Group 2012 R	Association 2012 R	Association 2011 R
18.	**Cash generated by/(utilised in) operations** *(continued)*			
	Operating loss before working capital changes	**(17 637 393)**	**(11 584 973)**	(19 208 072)
	Adjustments for working capital changes:			
	(Increase)/decrease in trade and other receivables	**(598 263)**	**(8 926 587)**	62 969 651
	Increase/(decrease) in trade and other payables	**32 572 736**	**31 513 571**	(40 960 834)
	Decrease income received in advance	**(13 572 156)**	**(13 572 156)**	(618 176)
		764 924	**(2 570 145)**	2 182 569
19.	**Taxation paid**			
	Amount payable at beginning of the year	**2 736 299**	**2 736 299**	2 736 299
	Credit to the statement of comprehensive income (excluding deferred taxation)	**(6 335 429)**	**(6 335 429)**	–
	Amount payable at end of the year	**3 599 130**	**3 599 130**	(2 736 299)
		–	–	–
20.	**Additions to property, plant and equipment**			
	Buses	**22 748 159**	**22 748 159**	58 315 774
	Furniture and fittings	**1 098**	**1 098**	1 247 311
	Office equipment	**43 123**	**43 123**	107 519
	Computer equipment	**302 153**	**302 153**	3 576 390
	General equipment	**180 872**	**180 872**	589 728
	Land and buildings	–	–	3 717 073
	Motor vehicles	**9 282 000**	**9 282 000**	14 659 800
	Work in progress	–	–	–
	Assets held for sale	–	–	9 683 100
	Less: Property, plant and equipment received as donations	**(8 925 000)**	**(8 925 000)**	(90 465 166)
		23 632 405	**23 632 405**	1 431 529

Notes to the financial statements
for the year ended 30 June 2012 (continued)

		Group 2012 R	Association 2012 R	Association 2011 R
21.	**Proceeds on disposal of property, plant and equipment**			
	Carrying value of property, plant and equipment disposed	**27 257**	**27 257**	450 055
	Profit/ (loss)/ on disposal of property, plant and equipment	**23 825**	**23 825**	(85 663)
	Proceeds on disposal of property, plant and equipment	**51 082**	**51 082**	364 392
22.	**Related parties**			
22.1	Related party balances			
	During the year the Association, in the ordinary course of business, entered into the following related party transactions. These transactions were no less favourable than those arranged with third parties.			
	National Executive Committee – Honoraria payable	**4 504 500**	4 504 500	3 858 750
	Afcon 2013 LOC Proprietary Limited		**8 564 272**	–
22.2	Related party transactions			
	SLAM Joint Venture (investment impairment)/ equity accounted income	–	–	(2 967 134)
	National Executive Committee	**9 977 502**	**9 977 502**	6 417 775
	– Honoraria	**5 121 375**	**5 121 375**	4 106 250
	– Allowances	**4 856 127**	**4 856 127**	2 311 525

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

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

23. 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 2012.

	Group	Association	
	2012	**2012**	2011
	R	**R**	R
24. Commitments			
Operating leases			
Operating lease charges	**186 000**	**186 000**	312 000
– payable within one year	**126 000**	**126 000**	126 000
– payable thereafter	**60 000**	**60 000**	186 000

25. Financial instruments

Overview

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

Credit risk
Liquidity risk

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

The National Executive Committee has overall responsibility for the establishment and oversight of the Association's risk management framework.

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.

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

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

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

25. Financial instruments *(continued)*

Liquidity risk

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

The Group ensures that it has sufficient cash on demand to meet expected operational expenses that includes servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

Loans and borrowings

This note provides information about the contractual terms of the Group's loans and borrowings, which are measured at amortised cost.

	Group	**Association**	
	2012	**2012**	2011
	R	**R**	R
Non-current liabilities			
Long-term liabilities	**7 077 142**	**7 077 142**	9 101 091

Terms and debt repayment schedule

Group and Association

The terms and conditions of outstanding loans were as follows:

			2012			2011	
	Currency	**Nominal interest rate**	**Year of maturity**	**Face value R**	**Carrying amount R**	Face value R	Carrying amount R
Mortgage bonds	ZAR	9%	2017	4 343 964	4 343 964	4 880 740	4 880 740
Instalment sales	ZAR	6.8%	2013	2 733 178	2 733 178	4 220 351	4 220 351
Total non-interest and interest bearing liabilities				7 077 142	7 077 142	9 101 091	9 101 091

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

25. Financial instruments *(continued)*

Liquidity risk

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

Non derivative financial liabilities - Group

2012	Carrying amount R	Contractual cash flows R	12 months or less R	1 to 5 years R	More than 5 years R
Group					
Trade and other payables	**139 952 908**	**139 952 908**	**139 952 908**	**–**	**–**
Loan-term liabilities	**7 077 142**	**8 449 726**	**2 698 344**	**4 987 903**	**763 479**
	147 030 050	**148 402 634**	**142 651 252**	**4 987 903**	**763 479**
2011					
Association					
Trade and other payables	107 380 272	107 380 272	107 380 272	–	–
Loan-term liabilities	9 101 091	11 954 237	2 709 287	6 795 448	2 449 502
	116 481 363	119 334 509	110 089 559	6 795 448	2 449 502

Fair value hierarchy

The financial asset has been classified as a level 2 hierarchy. Level 2 hierarchy represents inputs that are observable for the asset either directly or indirectly.

26. Contingent liability

1 The Association is a defendant in a case relating to professional services rendered by the plaintiff. The plaintiff is claiming R974 961 with 15,5% per annum interest thereon. The Association has made a counterclaim of R1 027 344 with 15,5% interest thereon.

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

South African Football Association

Notes to the financial statements
for the year ended 30 June 2012 (continued)

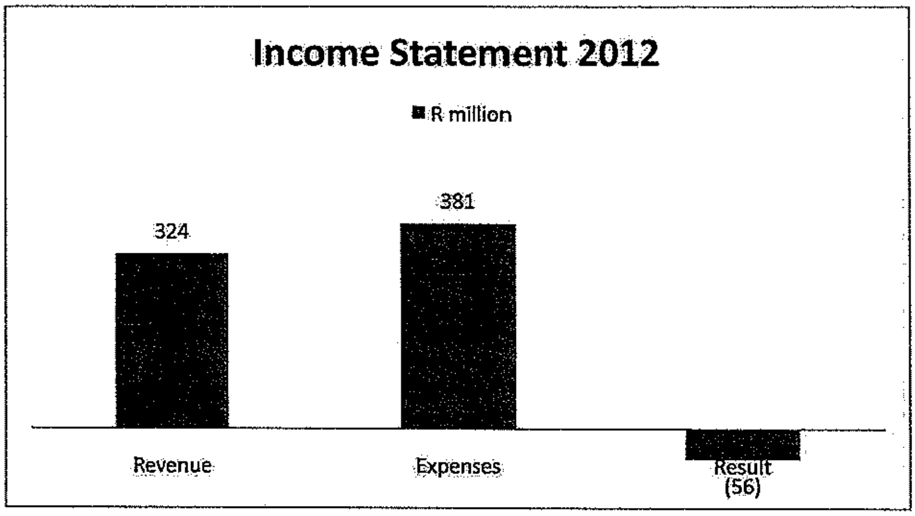
27. Standards and interpretations not yet affective

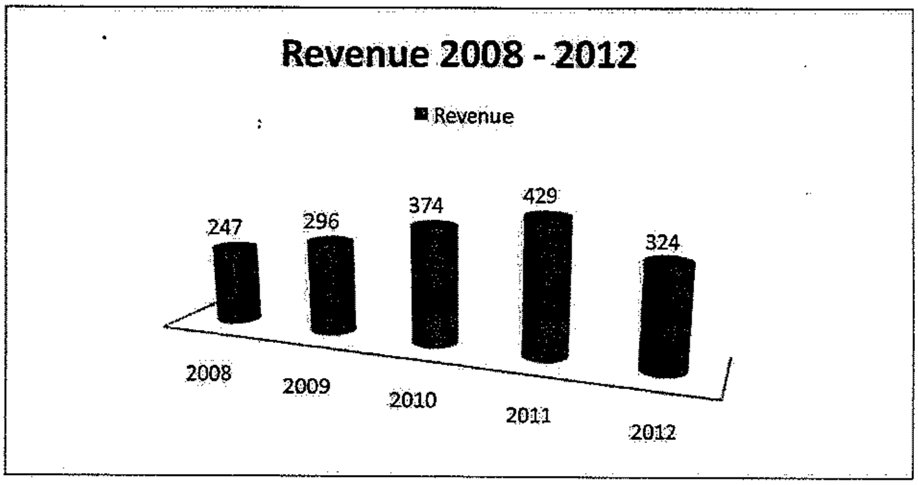
In terms of International Financial Reporting Standards the Group is required to include in its annual financial statements disclosure about the future impact of Standards and Interpretations issued but not yet effective at the reporting/issue date.

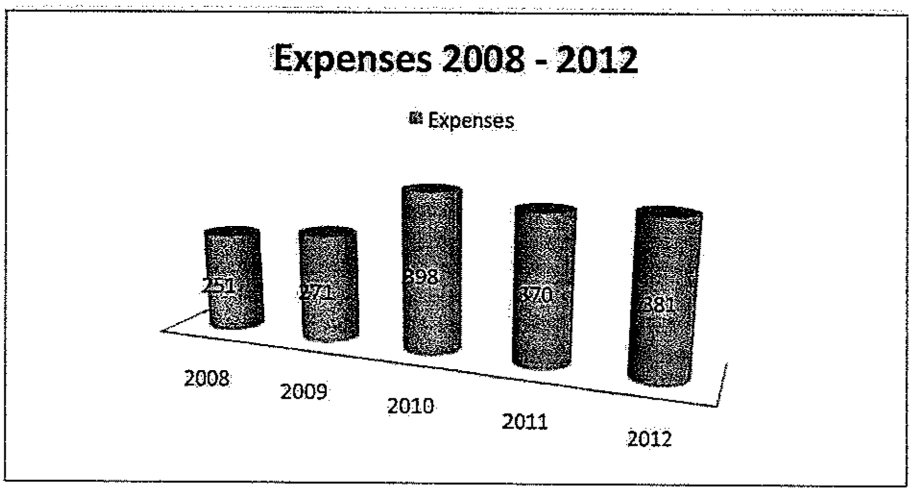
At the date of authorisation of the financial statements of South African Football Association for the year ended 30 June 2012, the following applicable Standards and Interpretations were in issue but not yet effective:

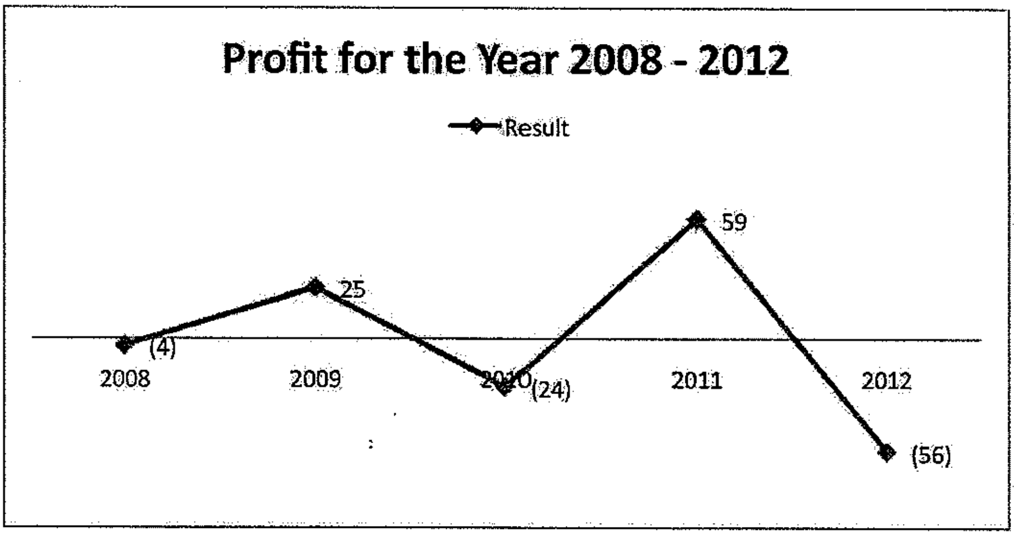
Standard/Interpretation		Effective date
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	year end commencing 1 July 2012
IFRS 10	*Consolidated Financial Statements*	year end commencing 1 July 2013
IFRS 11	*Joint Arrangements*	year end commencing 1 July 2013
IFRS 12	*Disclosure of Interests in Other Entities*	year end commencing 1 July 2013
IFRS 13	*Fair Value Measurement*	year end commencing 1 July 2013
IAS 27	*Separate Financial Statements (2011)*	year end commencing 1 July 2013
IFRS 1 amendment	*Government Loans*	year end commencing 1 July 2013
IFRS 7 amendment	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	year end commencing 1 July 2013
IAS 32	*Offsetting Financial Assets and Financial Liabilities*	year end commencing 1 July 2014
IFRS 9 (2009)	*Financial Instruments*	year end commencing 1 July 2013
IFRS 9 (2010)	*Financial Instruments*	year end commencing 1 July 2013

All standards will be considered for adoption at their effective date. At this stage, the National Executive Committee does not consider these statements to have a material impact on the Group.

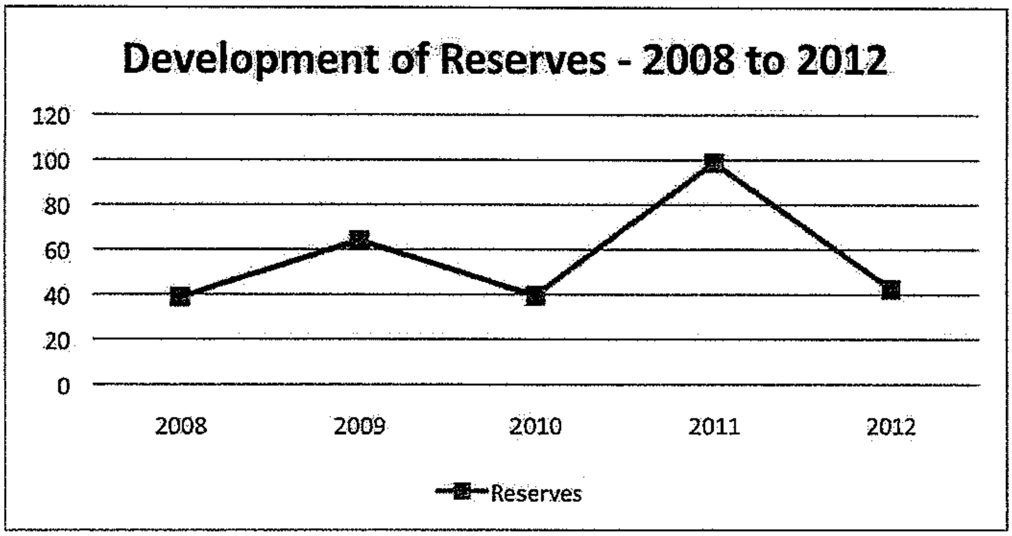

Income Statement 2012
R million
324
381
Revenue
Expenses
Result
(56)


Revenue 2008 - 2012
Revenue
247
296
374
429
324
2008
2009
2010
2011
2012

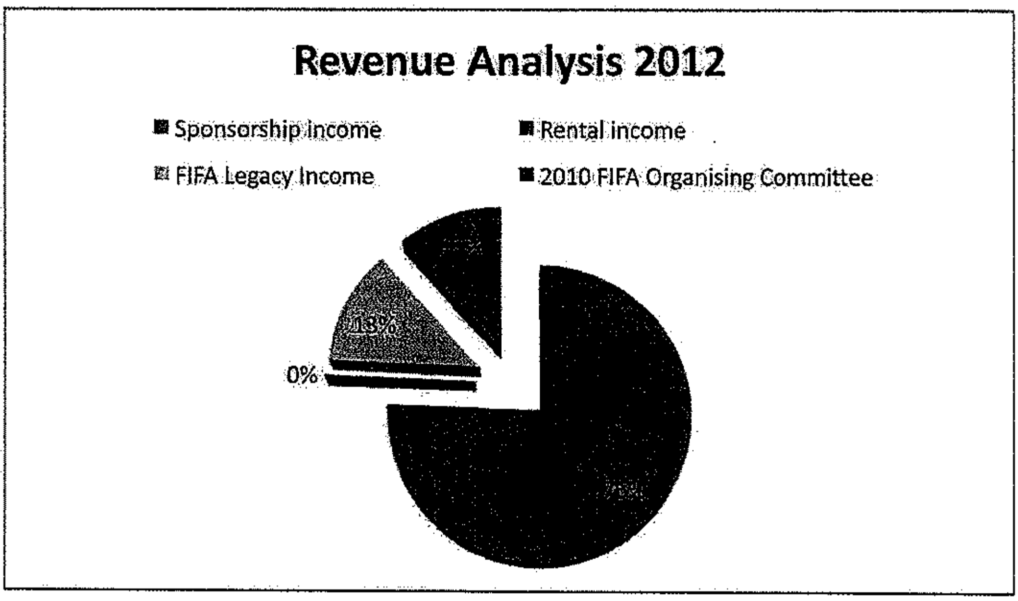

Expenses 2008 - 2012
Expenses
251
271
398
370
381
2008
2009
2010
2011
2012

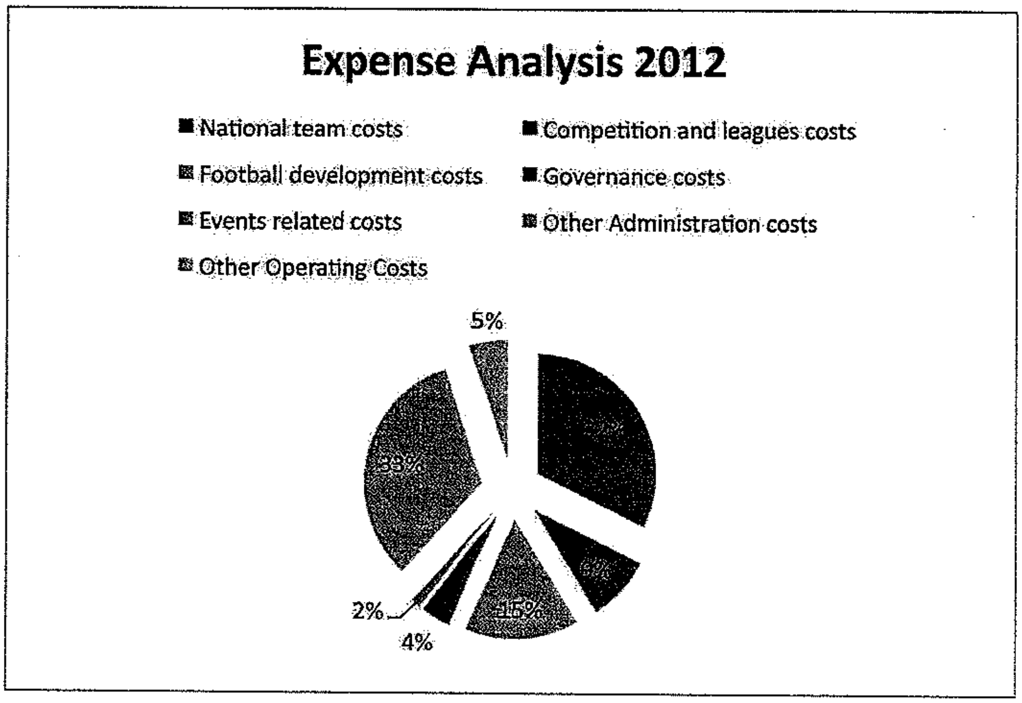


Profit for the Year 2008 - 2012
Result
(4)
25
(24)
59
(56)
2008
2009
2010
2011
2012



Development of Reserves - 2008 to 2012
120
100
80
60
40
20
0
2008
2009
2010
2011
2012
Reserves


Revenue Analysis 2012
Sponsorship income
Rental income
FIFA Legacy Income
2010 FIFA Organising Committee
13%
0%


Expense Analysis 2012
National team costs
Competition and leagues costs
Football development costs
Governance costs
Events related costs
Other Administration costs
Other Operating Costs
5%
15%
2%
4%

20

1991 - 2011

SOUTH AFRICAN
FOOTBALL ASSOCIATION