



11. FINANCIAL STATEMENTS

For the year ended 31 March 2009



Financial Statements

For the year ended 31 March 2009

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Abbreviations applied:

DTI – Department of Trade and Industry

NCR – National Credit Regulator

Report of the Audit and Risk Management Committee

for the year ended 31 March 2009

The Report of the Audit and Risk Management Committee was prepared in accordance with Treasury Regulations 27.1.7 and 27.1.10(b) and (c) for public entities issued in terms of the Public Finance Management Act (Act No.1 of 1999) (PFMA).

The National Credit Regulator (NCR) is listed as a national public entity in Schedule 3A of the PFMA.

The audit and risk management committee has met four times during the year under review. The composition of the committee and attendance at meetings is set out below:

Name	15 May 2008	24 July 2008	23 October 2008	16 February 2009
Ms T Ramano (chairperson)	√	√	√	√
Mr N Mashiya	Apology	√	Apology	√
Mr M Maleka	√	Apology	√	Apology
Ms C Glover (appointed June 2008)		√	√	√

The Audit and Risk Management Committee is a sub committee of the Accounting Authority of the NCR. The audit and risk management committee operates in accordance with the terms of its charter which has been approved by the Accounting Authority. The overall objective of the committee is to assist the NCR's Accounting Authority to discharge its duties relating to the safeguarding of assets; the development and maintenance of adequate systems and controls; assessing the going concern status; the review of auditing and accounting processes; the review of financial information and preparation of annual financial statements. The committee has fulfilled its responsibilities in compliance with its terms of reference.

Other persons who attended the Audit and Risk Management Committee meetings regularly include the internal auditors, representatives from the Auditor-General, the Chief Executive Officer, the Risk Officer and the Chief Financial Officer.

Risk Management

A Risk Management Strategy has been reviewed by the Audit and Risk Management Committee and approved by the Accounting Authority and a risk assessment has been performed. A "whistle-blower" hotline has been approved by the Accounting Authority and a Fraud Prevention Plan has also been approved by the Accounting Authority.

Internal Audit Function

The Audit and Risk Management Committee is charged with overseeing the internal audit function. The role of the internal auditors is to provide support to management and the Audit and Risk Management Committee in fulfilling their responsibilities. The internal audit function provides an independent and objective evaluation of the NCR's system of internal control and any significant risks brought to the attention of management and the committee have been resolved. The internal audit function is outsourced to Ngubane and Company.



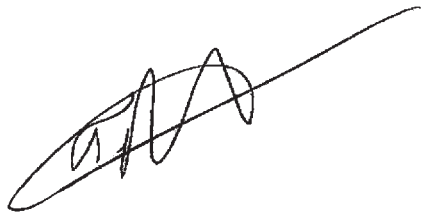
Report of the Audit and Risk Management Committee

for the year ended 31 March 2009 (continued)

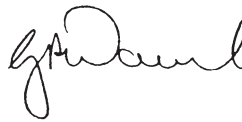
Financial Statements

The Audit and Risk Management Committee has reviewed and evaluated the financial statements of the NCR for the year ended 31 March 2009 and is satisfied that they comply with the requirements of the PFMA, and that the basis of preparation is in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. The going concern principle was adopted in the preparing the financial statements.

The committee, at its meeting of 15 May 2009, recommended the financial statements to the NCR's Accounting Authority for approval.



T Ramano
Chairperson



G P Davel
Chief Executive Officer

Accounting Authority's Report

for the year ended 31 March 2009

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act (Act No. 1 of 1999). The Accounting Authority for the National Credit Regulator is the Board, as appointed in terms of section 19 of the National Credit Act and section 49(1) and (2)(a) of the PFMA.

1. Nature of Business

The National Credit Regulator (NCR) derives its mandate from the National Credit Act, Act No. 34 of 2005 (the Act). The mandate of the NCR is to effectively implement and enforce the Act as stipulated including the following:

- Registration of credit providers, credit bureaux and debt counsellors;
- Educating and creating awareness on the protection which the Act offers;
- Receipt and investigation of complaints and ensuring that consumer rights are protected;
- Enforcement of the Act; and
- Research and dissemination of information relevant to the credit markets.

2. Financial Overview

2.1 Financial Results

	31 March 2009	31 March 2008
	R	R
Total Income	67,541,152	55,841,217
Expenditure	52,832,339	52,332,261
Net surplus	14,708,813	3,508,956
Total Assets	68,870,085	53,488,668
Total Liabilities	30,900,917	30,228,313

2.2 Financial Performance

Funding received from the Department of Trade and Industry constituted 50% (2008: 55%) of income for the NCR. Fee income of R26,235,805 (2008: R18,168,734) is the next largest component representing 39% (2008: 33%) of income. Registration fees as a percentage of total income has increased significantly since last year due to increased registrations and allocation of fees to income.

Personnel costs, being the largest expenditure item represents 49% (2008: 44%) of expenditure with professional fees of R9,766,512 (2008: R11,782,659) being equal to 18% (2008: 23%). During the period under review the NCR acquired assets to the value of R1,749,954 (2008: R1,278,838), consisting primarily of computer equipment, and office equipment.

Accounting Authority's Report

for the year ended 31 March 2009 (continued)

3. Members' Fees

Fees paid for the year ended 31 March 2009

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total
	R	R	R	R	R
Adv P Tlakula	32,600			3,421	36,021
M Maleka	12,825	3,024		1,512	17,361
Y Radinku	12,615		3,421		16,036
M van Schalkwyk †	9,828		6,048		15,876
T Store	14,145		7,957	3,024	25,126
C Glover	14,145	4,536			18,681
A Osman *					
N Mashiya *					
Z Ntuli*					
C Pakade*					
Total	96,158	7,560	17,426	7,957	129,101

* : These members are public servants and do not qualify for members fees

† : This member has elected to have his fees paid to his employer

Accounting Authority's Report

for the year ended 31 March 2009 (continued)

Fees paid for the year ended 31 March 2008

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total
	R	R	R	R	R
Adv P Tlakula	21,294	-	-	-	21,294
M Setiloane	(5,940)	-	-	-	(5,940)
M Maleka	8,415	2,640	-	-	11,055
Y Radinku	8,080	-	12,012	-	20,092
M van Schalkwyk †	9,735	-	5,280	2,640	17,655
T Store	9,735	-	5,280	2,640	17,655
C Glover	8,415	-	-	6,006	14,421
F Sibanda *	-	-	-	-	-
A Osman *	-	-	-	-	-
N Mashiya *	-	-	-	-	-
S Luka *	-	-	-	-	-
Total	59,734	2,640	22,572	11,286	96,232

* : These members are public servants and do not qualify for members fees

† : This member has elected to have his fees paid to his employer

4. Executive Management

The following staff members comprised the Executive Committee during the period under review, G Davel (Chief Executive Officer), N Motshegare (Chief Operations Officer), TS Pather (Chief Financial Officer) and P Setou (Senior Manager Education and Strategy). The prescribed disclosure of emoluments is reflected in note 20.1 of the financial statements.

5. Materiality Framework

A materiality framework has been approved.

6. Going Concern

The NCR is dependant on funding from the Department of Trade and Industry. At this stage there is no indication that in the next 12 months funding from the DTI would cease.

7. Events Subsequent to the Financial Position Date

The Accounting Authority (Board) is not aware of any matter or circumstance occurring between the statement of financial position date and the date of this report that materially affects the performance of the NCR for the year ended 31 March 2009 or the financial position at that date.



Accounting Authority's Report

for the year ended 31 March 2009 (continued)

8. Address

The National Credit Regulator's offices are situated at:-

127 – 15th Road

Randjespark

Midrand

With the postal address:

PO Box 209

Halfway house

1685



Adv P Tlakula

Chairperson

28 May 2009



Report of the Auditor - General

for the year ended 31 March 2009

Report on the financial statements

Introduction

1. I have audited the accompanying financial statements of the National Credit Regulator which comprise the statement of financial position as at 31 March 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 49 to 76.

The accounting authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury, as set out in the summary of accounting policies and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and the National Credit Act, 2005 (Act No. 34 of 2005)(NCA) and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 36(2) of the National Credit Act, 2005 (Act No. 34 of 2005), my responsibility is to express an opinion on these financial statements based on our audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. 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 risk 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.
6. I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2009 and its financial performance and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury, as set out in the summary of accounting policies and in the manner required by the PFMA.

Basis of accounting

8. Without qualifying my opinion, I draw attention to accounting policy note 1.1 to the financial statements, which describes the basis of accounting. The public entity's policy is to prepare financial statements on the basis of accounting, as determined by the National Treasury.

Other matters

9. Without qualifying my opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements.

Governance framework

10. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting authority and executive management and are reflected in the internal control deficiencies and other key governance requirements addressed below:

Report of the Auditor - General

for the year ended 31 March 2009 (continued)

Key governance responsibilities

11. The PFMA tasks the accounting authority with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
Clear trail of supporting documentation that is easily available and provided in a timely manner			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.	Y	
Quality of financial statements and related management information			
2.	The financial statements were not subject to any material amendments resulting from the audit.	Y	
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.	Y	
Timeliness of financial statements and management information			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines per section 55 of the PFMA.	Y	
Availability of key officials during audit			
5.	Key officials were available throughout the audit process.	Y	
Development and compliance with risk management, effective internal control and governance practices			
6.	Audit committee		
	• The public entity had an audit committee in operation throughout the reporting period.	Y	
	• The audit committee operates in accordance with approved, written terms of reference.	Y	
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 77 of the PFMA and Treasury Regulation 27.1.8.	Y	
7.	Internal audit		
	• The public entity had an internal audit function in operation throughout the reporting period.	Y	
	• The internal audit function operates in terms of an approved internal audit plan.	Y	
	• The internal audit function substantially fulfilled its responsibilities for the reporting period, as set out in Treasury Regulation 27.2.	Y	
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.	Y	
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.	Y	
10.	The information systems were appropriate to facilitate the preparation of the financial statements.	Y	
11.	Risk assessments were conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Treasury Regulation 27.2.	Y	
12.	Powers and duties have been assigned, as set out in section 56 of the PFMA.	Y	

Report of the Auditor - General

for the year ended 31 March 2009 (continued)

No.	Matter	Y	N
Follow-up of audit findings			
13.	The prior year audit findings have been substantially addressed.	Y	
14.	SCOPA resolutions have been substantially implemented.	N/A	
Issues relating to the reporting of performance information			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.	Y	
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.	Y	
17.	A strategic plan was prepared and approved for the reporting period under review for purposes of monitoring the performance in relation to the budget and delivery by the National Credit Regulator against its mandate, predetermined objectives, outputs, indicators and targets per Treasury Regulation 30.1.	Y	
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.	Y	

Report on other legal and regulatory requirements

Report on performance information

12. I have reviewed the performance information as set out on pages 77 to 86.

The accounting authority's responsibility for the performance information

13. The accounting authority has additional responsibilities as required by section 55(2)(a) of the PFMA to ensure that the annual report and audited financial statements fairly present the performance against predetermined objectives of the public entity.

The Auditor-General's responsibility

14. I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008.

15. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

16. I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings have been identified as a result of my review.

Appreciation

17. The assistance rendered by the staff of the National Credit Regulator during the audit is sincerely appreciated.

Auditor-General

Pretoria
24 July 2009



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Statement of Responsibility

for the year ended 31 March 2009

The Accounting Authority acknowledges that it is responsible for the preparation, integrity and fair presentation of the financial statements of the National Credit Regulator. In order for the Accounting Authority to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act (Act No. 1 of 1999) and other applicable legislation, it has developed and maintains a system of internal controls.

The Accounting Authority's responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are executed and recorded in accordance with generally accepted business practices. These controls are implemented by trained personnel and are monitored by management with an independent oversight by the Audit and Risk Management Committee and the Policy and Strategy Committee.

The financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board. They are based on appropriate accounting policies consistently applied and supported by reasonable assumptions and estimates.

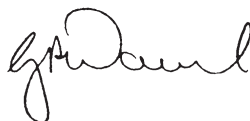
The Accounting Authority believes that the National Credit Regulator will be a going concern in the year ahead. The going concern basis has thus been adopted in preparing the financial statements.

The financial statements have been audited by the Auditor-General, who was given unrestricted access to all financial records and related data including minutes of meetings.

The financial statements for the year ended 31 March 2009 were approved by the Accounting Authority on 28 May 2009 and are signed on its behalf by:



Adv P Tlakula
Chairperson



G P Davel
Chief Executive Officer

Statement of Financial Performance

for the year ended 31 March 2009

		31 March 2009	31 March 2008 (Restated)
	Note	R	R
Income		61,355,965	51,089,698
Fee income	2	26,235,805	18,168,734
Transfer payment - Operational activities	3	34,082,000	30,811,789
Government grant - National register of credit agreements	3	228,698	1,401,143
Government grant - Debt relief program	3	202,355	-
Other income	4	607,107	708,032
Expenses		52,832,339	52,332,261
Operating expenses	5	17,316,502	18,360,493
Personnel expenses	5	25,691,415	23,051,709
Administrative expenses	5	10,370,238	9,546,361
Depreciation	5	(412,645)	1,158,040
Amortisation	5	(146,935)	205,080
Finance charges	12	13,764	10,578
Surplus/(deficit) from operations before finance income	6	8,523,626	(1,242,563)
Finance income		6,185,187	4,751,519
Net surplus for the year		14,708,813	3,508,956

Statement of Financial Position

at 31 March 2009

		31 March 2009	31 March 2008 (Restated)
	Note	R	R
ASSETS			
Current assets			
		62,234,787	49,138,380
Cash and cash equivalents	7	61,949,948	48,873,829
Trade and other receivables	8	284,839	264,551
Non-current assets			
		6,635,298	4,350,288
Property, plant and equipment	9	6,116,209	4,117,039
Intangible assets	10	519,089	233,249
Total assets		68,870,085	53,488,668
LIABILITES			
Current liabilities			
		30,900,917	30,212,013
Amounts prepaid	11	9,380,784	9,887,975
Lease obligation	12	18,844	73,059
Provisions	13	2,264,923	2,351,456
Deferred annual fees	11	7,456,960	4,586,061
Deferred government grant - National register of credit agreements	3	180,159	408,857
Deferred government grant - Debt relief programme	3	5,797,645	6,000,000
Deferred operating lease costs	14	602,970	409,987
Trade and other payables	15	5,198,632	6,494,618
Non-current liabilities			
Lease obligation	12	-	16,300
Total liabilities		30,900,917	30,228,313
Net assets		37,969,168	23,260,355
NET ASSETS			
Accumulated surplus		37,969,168	23,260,355
Total net assets		37,969,168	23,260,355

Statement of Changes in Net Assets

for the year ended 31 March 2009

	Accumulated surplus	Fair value reserves	Total
Note	R	R	R
Balance at 1 April 2007 as previously reported	19,751,399	12,434	19,763,833
Change in accounting policy	-	-	-
Gain on available-for-sale asset taken to net assets	-	576	576
Transfer to Statement of financial performance on sale of available-for-sale asset	-	(13,010)	(13,010)
Restated net surplus for the year	3,508,956	-	3,508,956
Net surplus as previously reported	-	-	-
Change in accounting policy	3,508,956	-	3,508,956
Balance at 31 March 2008	23,260,355	-	23,260,355
Net surplus for the year	14,708,813	-	14,708,813
Balance at 31 March 2009	37,969,168	-	37,969,168

Cash Flow Statement

for the year ended 31 March 2009

	Note	31 March 2009 R	31 March 2008 R
Cash flows from operating activities			
Cash receipts from applicants and registered entities		29,617,385	25,540,896
Cash paid to suppliers and employees		(54,974,220)	(70,705,221)
Cash absorbed by operations before transfers received		(25,356,835)	(45,164,325)
Transfers received	3	34,082,000	44,514,000
Cash generated from /(absorbed by) operations	17	8,725,165	(650,325)
Finance costs		(13,764)	(10,578)
Finance revenue		6,185,187	4,751,519
Net cash inflows from operating activities		14,896,588	4,090,616
Cash flows from investing activities			
Additions to property, plant and equipment	9	(1,609,529)	(1,278,838)
Additions to intangible assets	10	(140,425)	-
Proceeds on disposal of financial asset		-	13,010
Net cash outflows from investing activities		(1,749,954)	(1,265,828)
Cash flows from financing activities			
(Decrease)/Increase in lease liability		(70,515)	89,359
Net cash (outflows)/ inflows from financing activities		(70,515)	89,359
Net increase in cash and cash equivalents		13,076,119	2,914,147
Cash and cash equivalents at beginning of the year		48,873,829	45,959,682
Cash and cash equivalents at end of the year	7	61,949,948	48,873,829

Summary of Accounting Policies

for the year ended 31 March 2009

1. Significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared under the historical cost convention, except for the available-for-sale financial asset which had been measured at fair value.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the effective Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced Statement of GAAP
GRAP 1: Presentation of financial statements	AC 101: Presentation of financial statements
GRAP 2: Cash flow statements	AC 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC 103: Accounting policies, changes in accounting estimates and errors

Currently the recognition and measurement principles in the above GRAP and GAAP statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following changes in the presentation of financial statements:

1.1.1 Terminology differences

Standard of GRAP	Replaced Statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit	Profit/loss
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends

1.1.2 The cash flow statement can only be prepared in accordance with the direct method.

1.1.3 Specific information has been presented separately on the statement of financial position such as:

- Receivables and non-exchange transactions, including taxes and transfers;
- Taxes and transfers payable;
- Trade and other payables from non-exchange transactions



Summary of Accounting Policies

for the year ended 31 March 2009 (continued)

1.1 Basis of preparation (continued)

1.1.4 Amount and nature of any restrictions on cash balances is required

Paragraphs 11-15 of GRAP 1 have not been implemented due to the fact that the local and international budget reporting standard is not effective for this financial year. Although the inclusion of budget information would enhance the usefulness of the financial statements, non-disclosure will not affect the objective of the financial statements.

1.2 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in South African rand (ZAR), which is the NCR's functional and presentation currency.

(b) Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

1.3 Property, plant and equipment

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the NCR and the cost of the item can be measured reliably. Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are expensed during the financial year in which they are incurred.

Leasehold improvements are depreciated over the period of the lease agreement.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their estimated residual values over their estimated useful lives, as follows:

- Computer equipment 7 years
- Furniture and fittings 10 years
- Leasehold improvements 7 years (period of the lease)
- Machinery 7 years
- Office equipment 7 years
- Leasehold equipment 2 years (period of the lease)
- Security equipment 7 years

If any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal, the gain or loss if any (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is included in the Statement of financial performance in the year the asset is derecognised.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year end.



Summary of Accounting Policies

for the year ended 31 March 2009 (continued)

1.4 Intangible assets

Acquired computer software is initially recognised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the straight line basis to their residual values over their estimated useful lives.

Costs associated with developing or maintaining existing computer software programmes are recognised as an expense when incurred. Costs that are directly associated with the development of identifiable and unique software, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

The amortisation period, the amortisation method and the residual values are reviewed, and adjusted if appropriate at each financial year end.

1.5 Impairment of non-financial assets

The carrying amounts of material assets (PPE and intangible assets) are reviewed to determine whether there is any indication of impairment at each Statement of financial position date or when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount.

If any indication exists, the recoverable amount is estimated as the higher of an asset's fair value less costs to sell and its value in use.

In assessing its value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate cash inflows and is largely independent of those of other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss, if any is recognised in the Statement of financial performance whenever the carrying amount of the cash-generating unit to which the asset belongs exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

1.6 Financial assets

The NCR classifies its financial assets into the following specified categories: 'available-for-sale' financial assets and 'loans and receivables'.

1.6.1 Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated available-for-sale and not classified as loans and receivables or in any other category. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses recognised as a separate component of net assets until the investment is derecognised, at which time the difference between the proceeds and the carrying value is included in the Statement of financial performance.

1.6.2 Loans and receivables

Loans and receivables are financial assets that have fixed or determinable payments and are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.



Summary of Accounting Policies

for the year ended 31 March 2009 (continued)

1.6 Financial assets (continued)

1.6.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at each Statement of financial position date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been negatively impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the probability that the issuer will enter bankruptcy or financial re-organisation.

For other financial assets, such as trade receivables, assets assessed not to be impaired on an individual basis are later assessed for impairment on a collective basis.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets except for trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered to be uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of financial performance.

1.6.4 Derecognition of financial assets

The NCR derecognises a financial asset (or where applicable part thereof) only when:

- the right to receive cash flows from the asset have expired;
- the NCR retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the NCR has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.7 Financial liabilities

Financial liabilities which include accounts payable and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

1.7.1 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same customer on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability, and the difference in the respective carrying amounts is recognised in the Statement of financial performance.

Summary of Accounting Policies

for the year ended 31 March 2009 (continued)

1.7 **Financial liabilities** (continued)

1.7.2 *Offset of financial assets and liabilities*

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position only when the NCR has a legally enforceable right to set off recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.8 **Leases**

Operating leases

Leases that the NCR enters into as a lessee, and where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against revenue on a straight-line basis over the term of the lease.

Finance leases

Leases where substantially all the risks and rewards of ownership of the underlying asset are transferred to the NCR, are classified as finance leases. Assets held under finance leases are initially recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of financial performance. Contingent rentals are recognised as expenses in the periods in which they are incurred.

1.9 **Provisions**

Provisions are recognised when the NCR has a present legal or constructive obligation as a result of past events, for which it is probable that the NCR will be required to settle the obligation, and where a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

1.10 **Income**

Income comprises application fees, registration fees, branch fees and national loans register fees. Income is recognised when the right to the income has been established and is recorded at the following dates:

Application fees	-	Date of registration/withdrawal/rejection
Registration fees	-	Recognised over a twelve-month period from date of registration
Branch fees	-	Date of registration
National loans register fees	-	Date of service delivery
Replacement certificate fees	-	Date of invoice

1.11 **Finance income**

Finance income is recognised in the Statement of financial performance as it accrues, using the effective interest method.

1.12 **Government grants and transfer payments**

Government grants received for project purposes are recognised in the Statement of financial position as deferred income upon receipt when there is reasonable assurance that the NCR will be able to comply with the conditions attached to the grant.



Summary of Accounting Policies

for the year ended 31 March 2009 (continued)

1.12 Government grants and transfer payments *(continued)*

The portion of the grant relating to projects that compensates the NCR for expenses incurred is recognised as income in the Statement of financial performance on a systematic basis over the same period in which the expenses are incurred.

The transfer payment received for operational purposes are recognised as income on date of receipt.

Where appropriate, the portion of the transfer that compensates the NCR for the cost of an asset is recognised in the Statement of financial performance on a systematic basis over the useful life of the asset.

1.13 Employee benefits

Short term employee benefits

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

Retirement benefits

The NCR provides retirement benefits for all its permanent employees through a defined contribution provident fund scheme which is subject to the Pension Funds Act, no.24 of 1956 as amended. All the NCR's permanent employees are covered by the provident fund. NCR contributions to the fund are charged against revenue as and when they accrue.

1.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in money market instruments, all of which are available for use by the NCR unless otherwise stated.

Notes to the Financial Statements

for the year ended 31 March 2009

1. General information

The National Credit Regulator (NCR) is listed as a national public entity in Schedule 3A of the Public Finance Management Act, No.1 of 1999.

The NCR was established on the effective date of the National Credit Act, No 34 of 2005, being 1 June 2006. The attached financial statements represent the results of operations of the NCR for the year ended 31 March 2009 with comparatives being for the year ended 31 March 2008.

There are no instances of significant judgement other than those required by SA GAAP.

2. Fee income

Fee income comprises:

- Application fees
- Registration fees
- Branch fees
- National loans register fees
- Replacement certificates

	31 March 2009	31 March 2008
	R	R
	689,000	1,393,500
	18,468,645	11,651,554
	5,989,684	4,242,140
	903,926	881,540
	184,550	-
	26,235,805	18,168,734

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009	31 March 2008 (Restated)
	R	R
3. Funding by the DTI		
3.1 Transfer payment-operational activities		
The DTI contributes to the operational activities of the NCR while also providing funding for specific projects.		
Funding transferred to the NCR in the current year	34,082,000	44,514,000
Recognised as revenue in the Statement of financial performance	(34,082,000)	(30,811,789)
Allocated to the National Consumer Tribunal	-	(7,392,211)
Allocated to the National register of credit agreements	-	(310,000)
Allocated to the Debt relief program	-	(6,000,000)
3.2 National Consumer Tribunal		
In respect of payments effected on behalf of the National Consumer Tribunal during its establishment phase.		
Balance brought forward at the beginning of the period	-	2,398,526
Funding allocated	-	7,392,211
Expenditure	-	(3,181,302)
Transferred to the Tribunal	-	(6,609,435)
3.3 National register of credit agreements		
Balance brought forward at the beginning of the period	408,857	1,500,000
Funding allocated during current period	-	310,000
Recognised as income during the current period	(228,698)	(1,401,143)
Unspent funds at 31 March	180,159	408,857
3.4 Debt relief programme		
Balance brought forward at the beginning of the period	6,000,000	-
Funding allocated during current period	-	6,000,000
Recognised as income during the current period	(202,355)	-
Unspent funds at 31 March	5,797,645	6,000,000

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009	31 March 2008
	R	R
4. Other income		
Skills development levies recovered	184,615	-
Proceeds on insurance claim	-	45,648
Prescribed liabilities	257,881	649,374
Proceeds on disposal of available-for-sale asset	-	13,010
Due diligence costs recovered	103,320	-
Income from fines	55,000	-
Reimbursements	6,291	-
	607,107	708,032
5. Operating expenses, personnel expenses, administrative expenses, depreciation and amortisation expenses		
Operating expenses	17,316,502	18,360,493
- Professional fees	9,766,512	11,782,659
- Consumer education	2,618,092	1,186,922
- Stakeholder communication	1,675,687	2,003,479
- Debt relief programme	3,256,211	3,387,433
Personnel expenses	25,691,415	23,051,709
- Salaries	19,901,125	18,057,623
- Contributions to retirement fund	1,825,941	1,727,146
- Medical aid contributions	705,447	696,441
- Recruitment	431,173	456,271
- Temporary staff	1,346,174	1,266,673
- Training	1,198,921	574,892
- Other staff costs	282,634	272,663
Administrative expenses	10,370,238	9,546,361
- Premises and equipment	3,572,144	2,957,242
- Communication costs	1,514,732	1,647,236
- Information technology	2,156,072	2,433,493
- General expenses	3,127,290	2,508,390

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

5. Operating expenses, personnel expenses, administrative expenses, depreciation and amortisation expenses (continued)

	31 March 2009 R	31 March 2008 R
Depreciation	(412,645)	1,158,040
- Office equipment	(42,848)	147,271
- Leasehold office equipment	64,090	49,399
- Furniture and fittings	(421,465)	155,206
- Computer equipment	(217,403)	498,127
- Security equipment	19,172	82,283
- Leasehold improvements	174,331	174,331
- Machinery	11,478	51,423
Amortisation	(146,935)	205,080
- Computer software	(146,935)	205,080
Impairment of property, plant and equipment and intangibles	24,524	-
Change in estimate		
The effects of the revision of the estimated useful life and residual value are as follows:		
- Decrease in depreciation expense	1,888,874	-
- Decrease in amortisation expense	335,265	-

The effect on future periods has not been disclosed as it is impractical to do so.

6. Surplus/(deficit) from operations

The deficit from operations before finance income is arrived at after taking the following items into account:

Auditors' remuneration (included in general expenses Refer to note 5)

External audit	980,483	588,206
- Interim audit	140,258	-
- Annual audit	840,225	588,206
Board member's fees - Non-executive (included in general expenses. Refer to note 5)	129,101	96,232

Operating lease payments (included in premises and equipment. Refer to note 5)

- Building	2,385,606	2,195,757
- Equipment	1,436,123	1,423,478
	949,483	772,279

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009	31 March 2008
	R	R
7. Cash and cash equivalents		
Cash on hand	6,000	6,000
Current account	30,015	30,309
Salaries account	394	918
Call account	61,913,539	48,836,602
	61,949,948	48,873,829
8. Trade and other receivables		
Accounts receivable	156,253	116,965
Other receivables	128,586	147,586
	284,839	264,551
Accounts receivable are normally due within 30 days. The age analysis of these receivables is as follows:		
Less than 2 months	156,253	116,965
The fair values of trade and other receivables equate the above values.		

9. Property, plant and equipment

31 March 2009

Item	Cost	Accumulated depreciation	Carrying amount
	R	R	R
Computer equipment	3,200,763	899,808	2,300,955
Furniture and fittings	1,878,252	374,039	1,504,213
Leasehold improvements	1,237,920	421,301	816,619
Machinery	257,113	84,327	172,786
Office equipment	1,225,869	265,849	960,020
Leasehold office equipment	128,180	113,489	14,691
Security equipment	482,664	135,739	346,925
	8,410,761	2,294,552	6,116,209

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

9. Property, plant and equipment (continued)

31 March 2009						
Item	Carrying amount at beginning of year	Additions	Retirements	Reclassification	Depreciation	Carrying amount at end of year
	R	R	R	R	R	R
Computer equipment	1,330,225	783,721	(9,718)	(20,676)	217,403	2,300,955
Furniture and fittings	852,418	230,330	-	-	421,465	1,504,213
Leasehold improvements	942,306	48,644	-	-	(174,331)	816,619
Machinery	184,264	-	-	-	(11,478)	172,786
Office equipment	434,198	475,584	(13,740)	21,130	42,848	960,020
Leasehold office equipment	78,781	-	-	-	(64,090)	14,691
Security equipment	294,847	71,250	-	-	(19,172)	346,925
	4,117,039	1,609,529	(23,458)	454	412,645	6,116,209

31 March 2008

Item	Cost	Accumulated depreciation	Carrying amount
	R	R	R
Computer equipment	3,261,073	1,930,848	1,330,225
Furniture and fittings	1,727,606	875,188	852,418
Leasehold improvements	1,189,275	246,969	942,306
Machinery	257,113	72,849	184,264
Office equipment	770,666	336,468	434,198
Leasehold office equipment	128,180	49,399	78,781
Security equipment	411,414	116,567	294,847
	7,745,327	3,628,288	4,117,039

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

9. Property, plant and equipment (continued)

31 March 2008

Item	Carrying amount at beginning of year	Additions	Reclassification	Depreciation	Carrying amount at end of year
	R	R	R	R	R
Computer equipment	957,025	865,967	5,360	(498,127)	1,330,225
Furniture and fittings	842,690	164,934	-	(155,206)	852,418
Leasehold improvements	1,116,637	-	-	(174,331)	942,306
Machinery	235,687	-	-	(51,423)	184,264
Office equipment	467,375	119,757	(5,663)	(147,271)	434,198
Leasehold office equipment	-	128,180	-	(49,399)	78,781
Security equipment	377,130	-	-	(82,283)	294,847
	3,996,544	1,278,838	(303)	1,158,040	4,117,039

10. Intangible assets

31 March 2009

Item		Cost	Amortisation	Carrying amount
		R	R	R
Computer software		1,001,997	482,908	519,089
		1,001,997	482,908	519,089

Item	Carrying amount at beginning of year	Additions	Retirements	Reclassification	Amortisation	Carrying amount at end of year
	R	R	R	R	R	R
Computer software	233,249	140,425	(1,066)	(454)	146,935	519,089
	233,249	140,425	(1,066)	(454)	146,935	519,089

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

10. Intangible assets (continued)

31 March 2008

Item	Cost R	Amortisation to date R	Carrying amount R
Computer software	1,356,117	1,122,868	233,249
	1,356,117	1,122,868	233,249

31 March 2008

Item	Carrying amount at beginning of year R	Additions R	Reclassification R	Amortisation R	Carrying amount at end of year R
Computer software	438,026	-	303	(205,080)	233,249
	438,026	-	303	(205,080)	233,249

11. Amounts prepaid and deferred annual fees

Amounts prepaid represent fees received in respect of applicants awaiting registration and fees received in advance from registrants renewing their registration. Deferred annual fees represent fees received from applicants where the registration period falls over into the next financial period.

Amounts prepaid

Deferred annual fees

	31 March 2009 R	31 March 2008 R
Amounts prepaid	9,380,784	9,887,975
Deferred annual fees	7,456,960	4,586,061

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

12. Non-current liabilities

Interest bearing liabilities

Lease obligation
Less: Current portion

	31 March 2009 R	31 March 2008 R
	18,844	89,359
	18,844	73,059
	<u>-</u>	<u>16,300</u>

This liability represents a capitalised finance lease agreement secured over the assets (HTC phones and modems) leased with a net carrying amount of R14,691. This liability bears interest at prime prevailing on the date of inception of the contract and is repayable in monthly instalments not exceeding R5,341 per month. Interest incurred on this liability amounts to R13,764 (2008: R10,578).

Reconciliation

	Payable within twelve months R	Payable within two to five years R	Payable thereafter R	Total R
Office equipment				
Future minimum lease payments	21,274	-	-	21,274
Finance costs	(2,430)	-	-	(2,430)
Present value of minimum lease payments	<u>18,844</u>	<u>-</u>	<u>-</u>	<u>18,844</u>

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009 R	31 March 2008 R
13. Provisions		
Provision for legal fees		
Balance at the beginning of year	1,733,563	-
Legal fees paid	(1,539,185)	-
Utilised/reversed during the year	-	-
Provision made for the year	1,445,622	1,733,563
Balance at end of the year	1,640,000	1,733,563
The NCR is involved in ongoing litigation which is payable within the next 6 to 12 months.		
Provision for bonuses		
Balance at the beginning of year	617,893	859,554
Bonuses paid	(3,510,694)	(2,174,954)
Utilised/reversed during the year	-	-
Provision made for the year	3,517,724	1,933,293
Balance at end of the year	624,923	617,893
	2,264,923	2,351,456
Bonuses are performance based and subject to evaluation with the timing being certain but the amount not.		

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009 R	31 March 2008 R
14. Deferred operating lease costs		
Property	491,572	359,883
Equipment	31,156	23,570
Billboard	80,242	26,534
	602,970	409,987
15. Trade and other payables		
Trade payables	3,155,711	4,123,053
Accruals	1,485,527	1,266,244
International conference account	135,539	135,530
Refunds due to lenders	408,740	737,384
Refunds of fines due to lenders	13,115	232,407
	5,198,632	6,494,618
<p>The majority of trade payables are due and payable within 30 days from the reporting date. The fair values of trade and other payables equate the above values.</p>		
16. USAID		
<p>During the year under review, USAID contributed towards specific research and development projects. This grant is paid directly to the service providers in respect of the work performed on different projects, and the agreements for service delivery are directly between Chemonics (a contractor who administers the funding on behalf of USAID) and the various service providers. The grant is thus not reflected in the Statement of financial performance or on the Statement of financial position.</p>		
<p>Expenditure on nominated projects</p>	2,637,035	2,883,118

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

	31 March 2009 R	31 March 2008 R
17. Reconciliation of surplus to cash generated from operations		
Surplus for the year	14,708,813	3,508,956
Adjustments for:		
Depreciation	(412,645)	1,158,040
Amortisation	(146,935)	205,080
Decrease in provisions	(86,533)	587,780
Increase in deferred operating lease costs	192,983	244 275
Increase in accruals	219,293	(2,396,944)
Gain on disposal of assets	-	(13,010)
Impairment loss	24,524	-
Finance costs	13,764	10,578
Finance income	(6,185,187)	(4,751,519)
	8,328,077	(1,446,764)
Adjustments for working capital changes:		
(Increase)/Decrease in trade and other receivables	(20,288)	37,149
(Decrease)/Increase in trade and other payables	(1,515,279)	317,700
Decrease in amounts prepaid by applicants	(507,191)	(5,062,781)
Increase in deferred annual fees	2,870,899	3,557,027
Decrease in deferred funding managed on behalf of DTI	-	(115,177)
(Decrease)/Increase in deferred funding from the DTI	(431,053)	2,510,331
Decrease in taxation payable	-	(447,810)
	8,725,165	(650,325)

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

18. Commitments

18.1 Lease commitments in respect of operating lease agreements:

	Payable within twelve months	Payable within two to five years	Payable thereafter	Total
	R	R	R	R
Building	1,382,019	5,422,521	-	6,804,540
Equipment	170,033	598,517	-	768,550
Billboard	376,613	1,495,392	-	1,872,005
	1,928,665	7,516,430	-	9,445,095

Operating lease commitments consist of leases for the office building, billboard and various items of office equipment. The building and billboard rental contracts escalate at 6,5 % and 7% per annum respectively on the lease anniversary and both expire on 31 August 2013. The equipment leases have duration of 5 years with no option of renewal. One item of equipment contained an escalation clause of 15% per annum.

During the year ended 31 March 2009, R1,436,123 (2008: R1,423,478) was recognised as an expense in the Statement of financial performance in respect of the current building operating lease, whilst R949,483 (2008: R772,279) was expensed for the office equipment and billboard leases.

The operating lease costs have been straight-lined over the period of the lease and a deferred operating lease expense raised. The deferral will amount to nil at the end of the lease term.

19. Financial instruments

The NCR's financial instruments consist primarily of trade and other receivables, cash and cash equivalents, and trade and other payables. The only exception was the available-for-sale investment, which was disposed of in the prior year.

Categories of financial instruments

	31 March 2009	31 March 2008
	R	R
Financial assets	62,234,787	49,138,380
Loans and receivables (including cash and cash equivalents)	62,234,787	49,138,380
Financial liabilities	5,198,632	6,494,618
Trade liabilities at amortised cost	5,198,632	6,494,618

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

19. Financial instruments (continued)

Financial risk management objectives

The NCR's Finance function provides services to the organisation, and monitors and manages the financial risks relating to the operations of the NCR, through analysing the organisation's degree and magnitude of risks. In the ordinary course of business, the NCR is exposed to a number of risks as described below.

Credit risk

Credit risk represents the potential loss to the NCR as a result of unexpected defaults or unexpected deterioration in the credit worthiness of counterparties. The NCR's credit risk is primarily attributable to its receivables. However, this risk is minimal as the NCR only registers applicants when payment has been received. Typically, applicants pay up-front in respect of registration, so annual fees due at any time are limited, as these are received in advance. Revenue is accrued as described in the applicable accounting policy. The carrying amount included in the Statement of financial performance represents the NCR's maximum exposure to credit risk in relation to this asset. The NCR does not consider there to be any significant concentration of credit risk.

With regard to credit risk arising from the other financial assets, which comprise cash and cash equivalents, the NCR's exposure arises from a potential default of the counterparty where credit rating is constantly monitored, with a maximum exposure (R61,949,948) to the carrying amount of these instruments. Cash and cash equivalents are only placed with banking institutions with an AA credit rating.

Market risk

Interest rate risk

The sensitivity analyses below have been determined based on the exposure to cash held with the bank on call and in the current account at the reporting date. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the potential impact of the change in interest rates.

If interest rates had been on average 100 basis points higher/lower and all other variables were held constant, the NCR's:

- Surplus for the period ended 31 March 2009 would decrease/ increase by R61,852 (2008: decrease/increase by R 47,515)

This is mainly attributable to the NCR's exposure to interest rates on its cash and cash equivalents.

The NCR's sensitivity to interest rates has increased during the current period primarily as a result of to an increasing interest rate environment in 2008, although a declining interest rate trend has emerged in the first quarter of 2009, which is expected to continue due to market forces.

Exposure to interest rate risk is set out below:

Class of Financial instrument

Cash and Cash equivalents

Net exposure

Carrying Value

	31 March 2009	31 March 2008
	R	R
	61,949,948	48,873,829
	61,949,948	48,873,829

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

19. Financial instruments (continued)

Liquidity risk

Management monitors rolling forecasts of the NCR's cash and cash equivalents (note 7) on the basis of expected cash flow.

The table below analyses the NCR's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Payable in less than 3 months	Payable in 3-12 months	Payable after 1 year	Total carrying value
	R	R	R	R
Contractual undiscounted liabilities				
31 March 2009				
Trade and other payables	5,198,632	-	-	5,198,632
Finance lease liabilities	18,844	-	-	18,844
Total contractual liabilities	5,217,476	-	-	5,217,476
31 March 2008				
Trade and other payables	6,494,618	-	-	6,494,618
Finance lease liabilities	18,265	54,794	16,300	89,359
Total contractual liabilities	6,512,883	54,794	16,300	6,583,977

Other risks

Due to the nature and extent of the NCR's financial instruments, the NCR is not unduly exposed to price risks, cash flow risks, and other market risks.

The NCR does not have any foreign accounts receivable or payable, or derivative market instruments.

Fair values

The carrying amounts of financial assets and financial liabilities recorded at cost in the financial statements approximate their fair values.



Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

20. Related parties

Related party transactions are entered into in the normal course of business, under terms that are no more favourable than those arranged with third parties;

Related party	Relationship	Material transactions	Balance
Key management	Contractual	See note 20.1	-
Board members	Contractual	See Accounting Authority's report	-
Department of Trade and Industry	National department in national sphere of government	R34,082,000	-
ITC and Experion	Credit bureaux	R903,926	R156,253
Telkom Ltd	Public entity in National sphere	R800,373	-
Unemployment insurance fund	Public entity in National sphere	R90,718	-
Compensation Commissioner	Public entity in National sphere	R26,621	-
Bank Seta	Public entity in National sphere	R18,240	-

Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

20. Related parties (continued)

20.1 Key management personnel compensation is as follows:

For the year ended 31 March 2009

Name	Salary	Provident fund contributions	Travel allowance	Performance bonus	Total
	R	R	R	R	R
G Davel	1,282,008	149,112	67,130	309,989	1,808,239
N Motshegare	711,544	88,394	85,508	159,059	1,044,505
TS Pather	680,179	87,575	111,095	230,461	1,109,310
P Setou	601,951	73,550	70,202	153,245	898,948
	3,275,682	398,631	333,935	852,754	4,861,002

For the year ended 31 March 2008

Name	Salary	Provident fund contributions	Travel allowance	Performance bonus	Total
	R	R	R	R	R
G Davel	1,127,582	132,842	70,368	273,600	1,604,392
G Davel – payments related to prior year	933,177	-	-	-	933,177
N Motshegare	637,650	79,782	84,738	132,919	935,089
TS Pather	579,965	76,440	109,788	103,078	869,271
P Setou	527,767	65,308	68,927	88,067	750,069
	3,806,141	354,372	333,821	597,664	5,091,998



Notes to the Financial Statements

for the year ended 31 March 2009 (continued)

21. Change in accounting policy

The NCR changed its accounting policy to account for transfer payments from central government on date of receipt. Previously the transfers were accounted for when expensed.

This change was effected as it is now less probable that an outflow of resources embodying future economic benefits will be required.

The only effect of this change relates to the period ended 31 March 2008 and is as follows:

	Effect on 2008
	R
Statement of financial performance	
Increase in DTI transfer payment- operational activities	3,508,956
Statement of financial position	
Decrease in deferred government grants- operational activities	3,508,956