



Financial Statements

For the year ended 31 March 2010

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Report of the Audit and Risk Committee

for the year ended 31 March 2010

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 met five times during the year under review. The composition of the committee and attendance at meetings is set out below:

Table 14

Name	15 May 2009	11 June 2009	23 July 2009	22 October 2009	11 February 2010
Ms T Ramano (chairperson)	√	√	√	√	√
Mr N Mashiya	√	Apology	Teleconference	Apology	Apology
Mr M Maleka	√	√	Apology	Appointed to the Policy and Strategy committee	-
Ms C Glover	√	Apology	√	√	Via teleconference
Mr Coceko Pakade	-	-	-	√	√

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 Chief Operating Officer and the Chief Financial Officer.

Risk Management

Effective risk management is fundamental to the activities of the NCR. The NCR seeks to achieve an appropriate balance between conformance and performance in its activities, and continues to build and enhance the risk management capabilities that assists in delivering on its mandate.

The essence of the NCR's risk management is the protection of its reputation.

Responsibility and accountability for risk management resides at all levels within the NCR, from the Accounting Authority down through the organisation to each manager.

The assessment, evaluation and measurement of risk is an ongoing process that is integrated into the activities of the NCR. This process includes identifying risks and taking corrective action where required.

The internal audit function provides an independent assessment of the adequacy and effectiveness of the overall risk management and reports to the Accounting Authority through the Audit and Risk Management Committee.

The Auditor-General has a statutory duty to report its independent opinion on the NCR's financial statements. The primary risk to which the NCR is exposed and which it manages is:



Operational risk

The risk of loss of reputation resulting from inadequate or failed internal processes, people and systems or from external events. This includes legal risk.

Risk assessments are an integral part of the overall risk management process and cover the key components of identification, assessment and management of risk. The NCR uses key risk indicators to monitor exposures to key risks identified in the risk assessment process.

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 was outsourced to Ngubane and Company.

Financial Statements

The Audit and Risk Management Committee has reviewed and evaluated the financial statements of the NCR for the year ended 31 March 2010 and is satisfied that they comply with the requirements of the PFMA, and that the basis of preparation is in accordance with Generally Recognised Accounting Practice (GRAP). The going concern principle was adopted in preparing the financial statements.

The committee, at its meeting of 12 May 2010, recommended the financial statements to the NCR's Accounting Authority for approval.

T Ramano
Chairperson

GP Davel
Chief Executive Officer

Accounting Authority's Report

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 bureaus 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 2010	31 March 2009
	R	R
Total Income	77,997,113	67,541,152
Expenditure	66,166,553	52,832,339
Net surplus	11,830,560	14,708,813
Total Assets	80,639,649	68,870,085
Total Liabilities	30,839,921	30,900,917

2.2 Financial Performance

Funding received from the Department of Trade and Industry constituted 56% (2009: 50%) of income for the NCR. Fee income of R26,528,209 (2009: R26,235,805) is the next largest component representing 34% (2009: 39%) of income.

Personnel costs, being the largest expenditure item represents 46% (2009: 45%) of expenditure with professional fees of R13,323,808 (2009: R9,766,512) being equal to 20% (2009: 18%). During the period under review the NCR acquired assets to the value of R2,431,657 (2009: R1,749,954), consisting primarily of computer equipment, and office equipment.

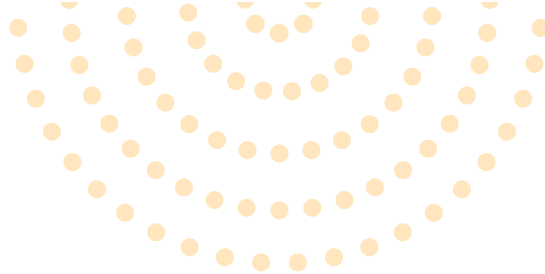
3. Members' Fees

Fees paid for the year ended 31 March 2010

Name	Board	Audit and Risk Management Committee	Policy and Strategy Committee	Remuneration Committee	Total
	R	R	R	R	R
Adv P Tlakula	28,208	-	-	3,784	31,992
M Maleka	14,617	3,344	1,672	1,672	21,305
M van Schalkwyk †	14,212	-	8,360	1,672	24,244
T Store	14,212	-	6,688	3,344	24,244
C Glover	14,212	6,688	-	-	20,900
A Osman */S Ngxongo*	-	-	-	-	-
N Mashiya *	-	-	-	-	-
Z Ntuli*	-	-	-	-	-
C Pakade*	-	-	-	-	-
	85,461	10,032	16,720	10,472	122,685

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

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



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*	-	-	-	-	-
	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

4. Executive Management

The following staff members comprised the Executive Committee during the period under review, G Davel (Chief Executive Officer), N Motshegare (Chief Operating Officer), TS Pather (Chief Financial Officer) and P Setou (Senior Manager Education and Strategy). The prescribed disclosure of emoluments is reflected in note 23.1 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 reporting date and the date of this report that materially affects the performance of the NCR for the year ended 31 March 2010 or the financial position at that date.

8. Address

The National Credit Regulator's offices are situated at:
127 – 15th Road, Randjespark, Midrand, 1683

With the postal address:
PO Box 209, Halfway house, 1685

Adv P Tlakula
Chairperson
31 May 2010

Report of the Auditor-General

to Parliament on the financial statements of
the National Credit Regulator for the year ended 31 March 2010

Report on the financial statements

Introduction

I have audited the accompanying financial statements of the National Credit Regulator, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 56 to 81.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Public Finance Management Act of South Africa, 1999 (Act No.1 of 1999) (PFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.

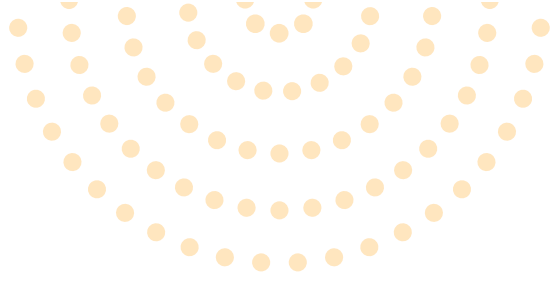
I conducted my audit in accordance with International Standards on Auditing and **General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009**. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Credit Regulator as at 31 March 2010 and its financial performance and its cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the PFMA.



Report on other legal and regulatory requirements

In terms of the Public Audit Act of South Africa and *General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009* I include below my findings on the report on predetermined objectives, compliance with the PFMA and financial management (internal control).

Findings

Predetermined objectives

No matters to report.

Compliance with laws and regulations

No matters to report.

Internal control

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported are limited to the deficiencies identified during the audit.

Findings

No matters to report.



Pretoria
26 July 2010



Statement of responsibility

for the year ended 31 March 2010

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 Generally Recognised Accounting Practice (GRAP). 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 2010 were approved by the Accounting Authority on 31 May 2010 and are signed on its behalf by:



Adv P Tlakula
Chairperson
31 May 2010



GP Davel
Chief Executive Officer



Statement of Financial Performance

for the year ended 31 March 2010

		31 March 2010	31 March 2009
	Note	R	R
Revenue from exchange transactions		26,737,709	26,684,592
Fee revenue	2	26,528,209	26,235,805
Other revenue	3	209,500	448,787
Revenue from non-exchange transactions		46,313,505	34,671,373
Transfer payment - Operational activities	4	43,859,000	34,082,000
Government grants	4	2,354,209	431,053
Other revenue	5	100,296	158,320
Expenses		66,166,553	52,832,339
Operating expenses	6	21,458,789	17,316,502
Personnel expenses	6	30,200,860	23,778,687
Administrative expenses	6	14,175,780	11,723,386
Finance costs	7	331,124	13,764
Finance income	8	4,945,899	6,185,187
Net surplus for the year		11,830,560	14,708,813

Statement of Financial Position

at 31 March 2010

	Note	31 March 2010 R	31 March 2009 R
Assets			
Current assets		73,209,872	62,234,787
Cash and cash equivalents	9	73,019,953	61,949,948
Trade and other receivables from exchange transactions	10	189,919	284,839
Non-current assets		7,429,777	6,635,298
Property, plant and equipment	11	6,439,046	6,116,209
Intangible assets	12	990,731	519,089
Total assets		80,639,649	68,870,085
Liabilities			
Current liabilities		30,813,825	30,900,917
Amounts prepaid	13	9,446,270	9,380,784
Deferred annual fees	13	8,755,512	7,456,960
Deferred government grants	4	3,623,595	5,977,804
Trade and other payables from exchange transactions	14	4,617,586	5,185,517
Trade and other payables from non-exchange transactions	15	-	13,115
Provisions	16	3,598,449	2,264,923
Lease obligation	17	73,043	18,844
Operating lease liability	18	699,370	602,970
Non-current liabilities		26,096	-
Lease obligation	17	26,096	-
Total liabilities		30,839,921	30,900,917
Net assets			
Accumulated surplus		49,799,728	37,969,168
Total net assets and liabilities		80,639,649	68,870,085

Statement of Changes in Net Assets

for the year ended 31 March 2010

	Accumulated surplus	Total
	R	R
Balance at 1 April 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
Net surplus for the year	11,830,560	11,830,560
Balance at 31 March 2010	49,799,728	49,799,728

Cash Flow Statement

for the year ended 31 March 2010

	Note	31 March 2010 R	31 March 2009 R
Cash flows from operating activities			
Cash receipts from applicants and registered entities		27,907,156	29,617,385
Cash paid to suppliers		(33,077,926)	(31,195,533)
Cash paid to employees	6	(30,200,860)	(23,778,687)
Cash absorbed by operations before transfers received		(35,371,630)	(25,356,835)
Transfers received	4	43,859,000	34,082,000
Cash generated from operations	20	8,487,370	8,725,165
Finance costs	7	(11,901)	(13,764)
Finance income	8	4,945,899	6,185,187
Net cash inflows from operating activities		13,421,368	14,896,588
Cash flows from investing activities			
Additions to property, plant and equipment	11	(1,787,946)	(1,609,529)
Additions to intangible assets	12	(643,711)	(140,425)
Net cash outflows from investing activities		(2,431,657)	(1,749,954)
Cash flows from financing activities			
Increase/ (Decrease) in lease liability		80,294	(70,515)
Net cash inflows/(outflows) from financing activities		80,294	(70,515)
Net increase in cash and cash equivalents		11,070,005	13,076,119
Cash and cash equivalents at beginning of the year		61,949,948	48,873,829
Cash and cash equivalents at end of the year	9	73,019,953	61,949,948

Summary of Accounting Policies

for the year ended 31 March 2010

1. Significant accounting policies

The National Credit Regulator (NCR) is a National Public Entity as specified in Schedule 3A of the Public Finance Management Act (PFMA), Act No. 1 of 1999 (as amended by Act 29 of 1999).

The principle accounting policies applied in the preparation and presentation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

1.1 Basis of preparation

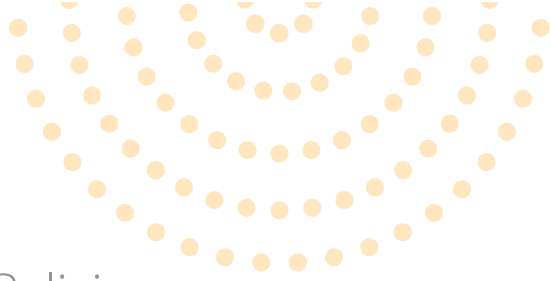
The NCR's financial statements are prepared in compliance with Generally Recognised Accounting Practice (GRAP), as determined by Directive 5 (Determining the GRAP Reporting Framework) issued by the Accounting Standards Board (ASB) in accordance with Section 55 and 89 of the Public Finance Management Act, Act No. 1 of 1999 (as amended by Act 29 of 1999).

These financial statements are prepared in accordance with the going concern principle and on an accrual basis with the measurement base applied being the historical cost unless otherwise stated.

In terms of Notice 991 and 992 in Government Gazette 28095 of December 2005 and Notice 516 in Government Gazette 31021 of 9 May 2008 the NCR must comply with the requirements of GRAP. Directive 5 details the GRAP Reporting Framework comprising the effective standards of GRAP, interpretations (IGRAPs) of such standards issued by the ASB, ASB guidelines, ASB directives, and standards and pronouncements of other stand setters, as identified by the ASB on an annual basis. Those relevant to the NCR are listed below:

Title of standard	Standard
GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The Effects of Changes in Foreign Exchange Rates
GRAP 5	Borrowing Costs
GRAP 9	Revenue from Exchange Transactions
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 17	Property Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosures
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 39	Financial Instruments: Recognition and Measurement

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, as detailed above, have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3 and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.



Summary of Accounting Policies

for the year ended 31 March 2010

In applying accounting policies management is required to make various judgments, apart from those involving estimations, which may affect the amounts of items recognised in the financial statements. Management is also required to make estimates of the effects of uncertain future events which could affect the carrying amounts of certain assets and liabilities at the reporting date. Actual results in the future could differ from estimates which may be material to the financial statements. Details of any significant judgments and estimates are explained in the relevant policy where the impact on the financial statements may be material.

1.2 Standards and amendments to standards issued but not effective

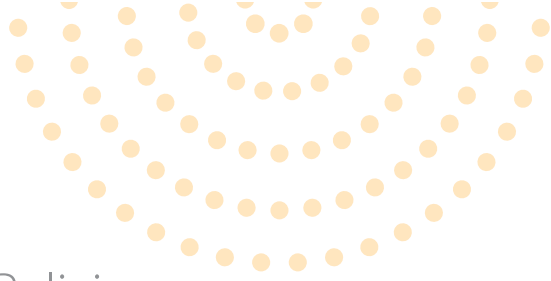
The following standards and amendments to standards have been issued but are not effective.

Standard	Summary and impact	Effective date
GRAP 18 – Segment Reporting	This standard establishes principles for reporting financial information by segments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2005 Effective date - To be determined by the Minister of Finance
GRAP 21 – Impairment of Non-cash-generating Assets	This standard prescribes the procedures that the NCR applies to determine whether a non-cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance
GRAP 23 – Revenue from Non-exchange transactions	This standard prescribes the requirements for the financial reporting of revenue from non-exchange (grants and transfer payments transactions). The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – February 2008 Effective date - To be determined by the Minister of Finance
GRAP 24 – Presentation of Budget Information in the Financial Statements	This standard requires a comparison of budget and actual amounts and an explanation for material differences. The impact on the financial results is considered to be minimal. However the impact on disclosure is significant.	Issued by the ASB – November 2007 Effective date - To be determined by the Minister of Finance
GRAP 25 - Employee Benefits	The standard prescribes the accounting treatment and disclosure for employee benefits. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – November 2009 Effective date - To be determined by the Minister of Finance
GRAP 26 - Impairment of Cash-generating Assets	This standard prescribes the procedures to determine whether a cash generating asset is impaired and to ensure that impairment losses are recognised. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – March 2009 Effective date - To be determined by the Minister of Finance
GRAP 104 – Financial Instruments	This standard establishes principles for recognising, measuring, presenting and disclosing financial instruments. The impact on the financial results and disclosure is considered to be minimal.	Issued by the ASB – October 2009 Effective date - To be determined by the Minister of Finance

Summary of Accounting Policies

for the year ended 31 March 2010

Standard	Summary and impact	Effective date
*** Improvements to the Standards of GRAP	Improvements are proposed to the following standards of GRAP: GRAP 1- 4, 9-14, 16-17, 19 and 100 as part of the ASB's improvement project. The impact on the financial results and disclosure is considered to be minimal.	Proposed effective date 01 April 2011
* Amendment to IFRS 7 – Financial Instruments: Disclosures	<ul style="list-style-type: none"> • Presentation of finance cost • Amendment dealing with improving disclosures of financial instruments • Amendments enhancing disclosures of fair value and liquidity risk <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	Effective date determined by the IASB was 1 January 2009, which was subsequent to the approval of Directive 5 by the ASB
** Amendment to IFRS 7 – Financial Instruments: Disclosures	<p>Clarifications of disclosures</p> <p>The amendment to the Standard clarifies certain disclosures.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	01 January 2011
IFRS 9 – Financial Instruments	<p>New standard issued relating to the classification and measurement of financial assets, which will replace the relevant portions of IAS 39.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	01 January 2013
*Amendment to IAS 19 – Employee Benefits	<ul style="list-style-type: none"> • Curtailments and negative past service cost • Plan administration costs • Replacement of term "fall due" • Guidance on contingent liabilities <p>The impact on the financial results and disclosure is considered to be minimal.</p>	Effective date determined by the IASB was 1 January 2009 which was subsequent to the approval of Directive 5 by the ASB
Amendment to IAS 32 – Financial Instruments: Presentation	<p>Certain financial instruments will be classified as equity whereas, prior to these amendments, they would have been classified as financial liabilities.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	Effective date determined by the IASB was 1 January 2009 which was subsequent to the approval of Directive 5 by the ASB.



Summary of Accounting Policies

for the year ended 31 March 2010

<p>*Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<ul style="list-style-type: none"> • Reclassification of derivatives into or out of the classification of at fair value through profit or loss • Designating and documenting hedges at the segment level • Applicable effective interest rate on cessation of fair value hedge accounting <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>Effective date determined by the IASB was 1 January 2009 which was subsequent to the approval of Directive 5 by the ASB</p>
<p>Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<p>Clarifies two hedge accounting issues:</p> <ul style="list-style-type: none"> • Inflation in a financial hedged item • A one-sided risk in a hedged item <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 July 2009</p>
<p>Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<p>Amendments for embedded derivatives when reclassifying financial instruments.</p> <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 July 2009</p>
<p>* Amendment to IAS 39 – Financial Instruments: Recognition and Measurement</p>	<ul style="list-style-type: none"> • Treating loan prepayment penalties as closely related embedded derivatives • Scope exemption for business combination contracts • Cash flow hedge accounting <p>This standard will not have an impact on the financial results or disclosure as it has been removed from the framework prescribed in Directive 5 for periods beginning on 1 April 2010.</p>	<p>01 January 2010</p>
<p>* Standards and interpretations affected by the Improvements to IFRS ** Standards and interpretations affected by the Improvements to IFRS issued in an exposure draft as ED 272 – Improvements to IFRSs: Proposed amendments to International Financial Reporting Standards *** Standards affected by the Improvements Project of the ASB issued in an exposure draft as ED 63 – Improvements to the Standards of GRAP</p>		

Summary of Accounting Policies

for the year ended 31 March 2010

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are presented using the currency of the primary economic environment in which the NCR operates (functional currency). The functional currency of the NCR and the presentation currency is South African rand (ZAR) and all amounts are stated in nearest rands (R).

(b) Transactions

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

1.4 Borrowing costs

Section 66 of the PFMA prohibits the NCR from borrowing unless such borrowing has been effected through the Minister of Finance. Partial exemption to this prohibition has been granted through practice note 5 of 2006 which allows the NCR to enter into certain finance leases.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit in the period to which they relate.

1.5 Revenue from exchange transactions

Revenue comprises application fees, registration fees, branch fees and national loans register fees. Revenue is recognised when the right to the revenue 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

Finance income:

Finance income is recognised as it accrues using the effective interest rate method.

Other revenue:

Other revenue is recognised on an accrual basis.

1.6 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.

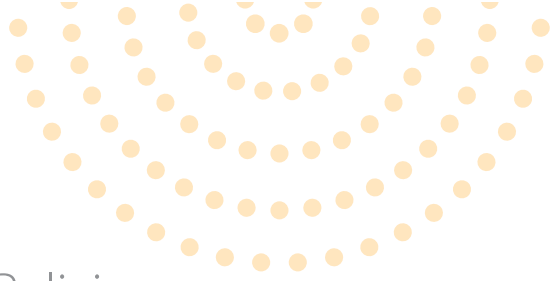
Finance leases

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.

1.7 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 or service potential 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.



Summary of Accounting Policies

for the year ended 31 March 2010

Leasehold improvements and equipment 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:

Fixed asset class	Average useful life
Computer equipment	3-7 years
Furniture & fittings	10 years
Leasehold improvements	Remaining period of the lease
Machinery	7 years
Office equipment	3-7 years
Leasehold equipment	Remaining period of the lease
Security equipment	3-7 years

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

If any item of property, plant and equipment is derecognised upon disposal or when no future economic benefits or service potential 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.

1.8 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 the effect of the time value of money is material, the provision is discounted to the present value of the expected cash flows required to settle the obligation.

1.9 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 service amount.

If any indication exists, the recoverable service 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 its present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

1.10 Revenue from non-exchange transactions

Government grants

Government grants received for project purposes are recognised in the Statement of Financial Position as deferred revenue 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 2010

1.10 Revenue from non-exchange transactions (continued)

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

Transfer payments

Transfer payments for operational activities are recognised as revenue on receipt.

Where appropriate, the NCR will recognise an asset arising from a portion of the transfer when it gains control of resources that meet the definition of an asset and satisfy the recognition criteria.

1.11 Intangible assets

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

Costs associated with maintaining acquired 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 or service potential 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.

The annual amortisation rate is based on the following estimated useful lives.

Intangible assets	Average useful life
Computer software	5-7 years

An intangible asset may be derecognised either on disposal or when no future service potential is expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It is recognised in surplus or deficit when the asset is derecognised.

1.12 Related parties

As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as those individuals with the authority and responsibility for planning, directing and controlling the activities of the NCR.

1.13 Employee benefits

Short term employee benefits

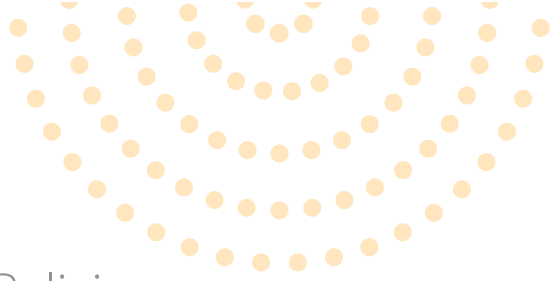
The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

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 Financial assets

The NCR classifies its financial assets into 'loans and receivables'.



Summary of Accounting Policies

for the year ended 31 March 2010

1.14 Financial assets (continued)

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.

1.14.1 Impairment of financial assets

Financial assets are assessed for indicators of impairment regularly. 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.

1.14.2 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.

1.15 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, to their present value.

1.15.1 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.

1.15.2 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.

1.16 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 2010

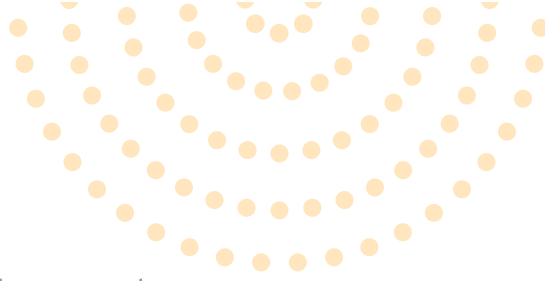
1. General information

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 period ended 31 March 2010 with comparatives being for the year ended 31 March 2009.

There are no instances of significant judgment other than those required by GRAP.

	31 March 2010	31 March 2009
	R	R
2. Fee revenue		
Application fees	306,500	689,000
Registration fees	19,840,596	18,468,645
Branch fees	5,547,007	5,989,684
National loans register fees	789,506	903,926
Replacement certificates	44,600	184,550
	26,528,209	26,235,805
3. Other exchange revenue		
Skills development levies recovered	17,283	184,615
Prescribed liabilities	13,116	257,881
Reimbursements	11,205	6,291
Proceeds from debt counselling exhibition	55,000	-
Proceeds from insurance claim	112,896	-
	209,500	448,787
4. Revenue from non-exchange transactions		
4.1 Transfer payment-operational activities		
The DTI contributes to the operational activities of the NCR while also providing funding for specific projects.		
Transferred to the NCR	43,859,000	34,082,000
4.2 DTI funded project		
4.2.1 Debt counsellors		
Balance brought forward at the beginning of the year	3,995,600	-
Funding received	-	4,000,000
Transfer to Debt Counselling task team (4.2.3)	(1,500,000)	-
Recognised as revenue	(326,590)	(4,400)
Unspent funds at 31 March 2010	2,169,010	3,995,600



Notes to the Financial Statements

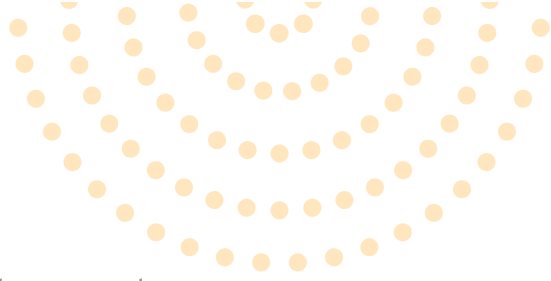
for the year ended 31 March 2010

4. Revenue from non-exchange transactions (continued)	31 March 2010	31 March 2009
	R	R
4.2.2 Debt Counselling support		
Balance brought forward at the beginning of the year	1,802,045	-
Funding received	-	2,000,000
Recognised as revenue	(1,498,989)	(197,955)
Unspent funds at 31 March 2010	303,056	1,802,045
4.2.3 Debt Counselling task team		
Balance brought forward at the beginning of the period	-	-
Transferred from Debt counsellors (4.2.1)	1,500,000	-
Recognised as revenue	(348,471)	-
Unspent funds at 31 March 2010	1,151,529	-
4.3 National register of credit agreements		
Balance brought forward at the beginning of the year	180,159	408,857
Recognised as revenue	(180,159)	(228,698)
Unspent funds at 31 March 2010	-	180,159
Total unspent funds at 31 March 2010	3,623,595	5,977,804
5. Other non-exchange revenue		
Due diligence costs recovered	-	103,320
Revenue from fines	-	55,000
Litigation cost award	100,296	-
	100,296	158,320
6. Operating expenses, personnel expenses, administrative expenses		
Operating expenses	21,458,789	17,316,502
Professional fees	13,323,808	9,766,512
Consumer education	2,417,400	2,618,092
Stakeholder communication	1,417,259	1,675,687
Debt relief programme	4,300,322	3,256,211
Personnel expenses	30,200,860	23,778,687
Salaries	25,131,443	19,901,125
Contributions to retirement fund	2,348,620	1,825,941
Medical aid contributions	947,582	705,447
Temporary staff	1,773,215	1,346,174

Notes to the Financial Statements

for the year ended 31 March 2010

6. Operating expenses, personnel expenses, administrative expenses (continued)	31 March 2010	31 March 2009
	R	R
Administrative expenses	14,175,780	11,723,386
Premises and equipment	3,948,201	3,572,144
Communication costs	1,627,209	1,514,732
Information technology	2,889,769	2,156,072
General expenses	2,764,871	3,127,290
Recruitment	310,131	431,173
Training	821,297	1,198,921
Other staff costs	406,196	282,634
Depreciation	1,237,085	(412,645)
Amortisation	171,021	(146,935)
The surplus from operations before finance income is arrived at after taking the following items into account:		
Auditors' remuneration (Included in general expenses.)		
- External audit	785,464	980,483
- Interim audit	244,435	140,258
- Annual audit 2008/9	541,029	840,225
Board members' fees - Non-executive (Included in general expenses.)	122,685	129,101
Operating lease payments (included in premises and equipment.)	2,332,203	2,385,606
Building	1,427,515	1,436,123
Equipment	904,688	949,483
Impairment of property, plant and equipment and intangibles (included in general expenses above)	-	24,524
Computer equipment	-	9,718
Office equipment	-	13,740
Computer software	-	1,066
Non-current assets written-off (included in general expenses above)	229,072	-
Computer equipment	198,000	-
Furniture and fittings	26,436	-
Office equipment	3,588	-
Computer software	1,048	-
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



Notes to the Financial Statements

for the year ended 31 March 2010

	31 March 2010 R	31 March 2009 R
7. Finance costs	331,124	13,764
7.1 Imputed finance costs	319,223	-
Effect of discounting on operating and administrative expenses	217,371	-
Effect of discounting on professional fees	101,852	-
Imputed finance costs arose as a result of accounting for the changes in the time value of money that occurred between the initial date of the transaction and the payment date. The effective rate of 7.13% applied is based on the average bond rate for the year.		
7.2 Finance costs incurred on the lease obligation		
(Refer to note 17)	11,901	13,764
8. Finance income		
Interest earned on call accounts	4,945,899	6,185,187
9. Cash and cash equivalents		
Cash on hand	6,000	6,000
Current account	29,800	30,015
Salaries account	1,034	394
Call account	72,983,119	61,913,539
	73,019,953	61,949,948
10. Trade and other receivables from exchange transactions		
Accounts receivable	71,589	156,253
Other receivables	118,330	128,586
	189,919	284,839
Accounts receivable past due but not impaired.		
The age analysis of these receivables is as follows:		
Less than 2 months	71,589	156,253
The fair values of trade and other receivables approximate the above values.		

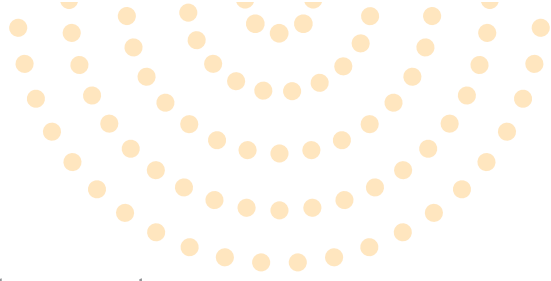
Notes to the Financial Statements

for the year ended 31 March 2010

11. Property, plant and equipment

	Cost	Accumulated depreciation	Carrying Amount
31 March 2010	R	R	R
Computer equipment	3,810,089	(1,316,379)	2,493,710
Furniture and fittings	2,087,815	(556,395)	1,531,420
Leasehold improvements	1,391,508	(627,334)	764,174
Machinery	257,113	(119,221)	137,892
Office equipment	1,556,624	(444,950)	1,111,674
Leasehold office equipment	143,760	(47,249)	96,511
Security equipment	505,962	(202,297)	303,665
	9,752,871	(3,313,825)	6,439,046

	Carrying amount at beginning of year	Additions	Non-current assets written off	Depreciation	Carrying amount at end of year
	R	R	R	R	R
Computer equipment	2,300,955	883,232	(198,000)	(492,477)	2,493,710
Furniture and fittings	1,504,213	242,816	(26,436)	(189,173)	1,531,420
Leasehold improvements	816,619	153,588	-	(206,033)	764,174
Machinery	172,786	-	-	(34,894)	137,892
Office equipment	960,020	341,251	(3,588)	(186,009)	1,111,674
Leasehold office equipment	14,691	143,760	-	(61,940)	96,511
Security equipment	346,925	23,299	-	(66,559)	303,665
	6,116,209	1,787,946	(228,024)	(1,237,085)	6,439,046



Notes to the Financial Statements

for the year ended 31 March 2010

11. Property, plant and equipment (cont.)

	Cost	Accumulated depreciation	Carrying Amount
31 March 2009	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
	<u>8,410,761</u>	<u>(2,294,552)</u>	<u>6,116,209</u>

	Carrying amount at beginning of year	Additions	Impairment losses	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
	<u>4,117,039</u>	<u>1,609,529</u>	<u>(23,458)</u>	<u>454</u>	<u>412,645</u>	<u>6,116,209</u>

The NCR has fully depreciated property, plant and equipment that are still in use.

	31 March 2010	31 March 2009
	R	R
	<u>5,569</u>	<u>684</u>

Proceeds from insurance claim (Included in other exchange revenue. Refer to note 3)

	<u>112,896</u>	<u>-</u>
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Notes to the Financial Statements

for the year ended 31 March 2010

12. Intangible assets

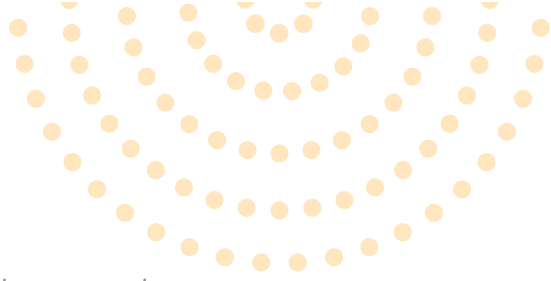
	Cost	Amortisation	Carrying amount
	R	R	R
31 March 2010			
Computer software	1,603,775	(613,044)	990,731
	<u>1,603,775</u>	<u>(613,044)</u>	<u>990,731</u>

	Carrying amount at beginning of year	Additions	Non-current assets written off	Amortisation	Carrying amount at end of year
	R	R	R	R	R
Computer software	519,089	643,711	(1,048)	(171,021)	990,731
	<u>519,089</u>	<u>643,711</u>	<u>(1,048)</u>	<u>(171,021)</u>	<u>990,731</u>

	Cost	Amortisation	Carrying Amount
	R	R	R
31 March 2009			
Computer software	1,001,997	(482,908)	519,089
	<u>1,001,997</u>	<u>(482,908)</u>	<u>519,089</u>

	Carrying amount at beginning of year	Additions	Impairment losses	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
	<u>233,249</u>	<u>140,425</u>	<u>(1,066)</u>	<u>(454)</u>	<u>146,935</u>	<u>519,089</u>

	31 March 2010	31 March 2009
	R	R
The NCR has fully depreciated intangible assets that are still in use	<u>5,433</u>	<u>5,433</u>



Notes to the Financial Statements

for the year ended 31 March 2010

	31 March 2010	31 March 2009
	R	R
13. Amounts prepaid and deferred annual fees		
Amounts prepaid and deferred annual fees		
Amounts prepaid	9,446,270	9,380,784
Amounts prepaid represent fees received in respect of applicants awaiting registration and fees received in advance from registrants renewing their registration.		
Deferred annual fees	8,755,512	7,456,960
Deferred annual fees represent fees received from applicants where the registration period falls over into the next financial period.		
14. Trade and other payables from exchange transactions		
Trade payables	2,931,806	3,155,711
Accruals	1,401,954	1,485,527
International conference account	135,539	135,539
Refunds due to lenders	148,287	408,740
	4,617,586	5,185,517
The majority of trade payables are due and payable within 30 days from the reporting date.		
15. Trade and other payables from non-exchange transactions		
Refunds of fines due to lenders	-	13,115
16. Provisions		
Provision for legal fees		
Balance at the beginning of year	1,640,000	1,733,563
Legal fees paid	(775,489)	(1,539,185)
Utilised/reversed during the year	(864,511)	-
Provision made for the year	2,691,000	1,445,622
Balance at end of the year	2,691,000	1,640,000
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	624,923	617,893
Bonuses paid	(2,977,421)	(3,510,694)
Utilised/reversed during the year	(395,037)	-
Provision made for the year	3,654,984	3,517,724
Balance at end of the year	907,449	624,923
	3,598,449	2,264,923
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 2010

17. Leases

Interest bearing liabilities
Lease obligation
Less: Current portion

31 March 2010	31 March 2009
R	R
99,139	18,844
73,043	18,844
<u>26,096</u>	<u>-</u>

This liability represents a capitalised finance lease agreement secured over the leased office equipment with a net carrying amount of R96,511. This liability bears interest at prime prevailing on the date of inception of the contract (10.5%) and is repayable in monthly instalments not exceeding R6,667 per month. Interest incurred on this liability amounts to R11,901 (2009: R13,764)

Reconciliation	Payable within twelve months	Payable within two to five years	Payable thereafter	Total
	R	R	R	R
Leased office equipment				
Future minimum lease payments	80,004	26,669	-	106,673
Finance costs	6,961	573	-	7,534
Present value of minimum lease payments	<u>73,043</u>	<u>26,096</u>	<u>-</u>	<u>99,139</u>

18. Operating lease liability

Property
Equipment
Billboard

31 March 2010	31 March 2009
R	R
538,910	491,572
51,150	31,156
109,310	80,242
<u>699,370</u>	<u>602,970</u>

19. USAID

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.

Funding on nominated projects

R	R
<u>2,700,000</u>	<u>2,637,035</u>

Notes to the Financial Statements

for the year ended 31 March 2010

	31 March 2010	31 March 2009
	R	R
20. Reconciliation of surplus to cash generated from operations		
Surplus for the year	11,830,560	14,708,813
Adjustments for:		
Depreciation	1,237,085	(412,645)
Amortisation	171,021	(146,935)
Increase/(Decrease) in provisions	1,333,526	(86,533)
Increase in deferred operating lease costs	96,400	192,983
(Decrease)/Increase in accruals	(83,573)	219,293
Impairment loss	-	24,524
Non-current assets written off	229,072	-
Finance costs	11,901	13,764
Finance income	(4,945,899)	(6,185,187)
	9,880,093	8,328,077
Adjustments for working capital changes:		
Decrease/(Increase) in trade and other receivables	94,920	(20,288)
Decrease in trade and other payables	(497,472)	(1,515,279)
Increase/(Decrease) in amounts prepaid by applicants	65,486	(507,191)
Increase in deferred annual fees	1,298,552	2,870,899
Decrease in deferred funding from the DTI	(2,354,209)	(431,053)
	8,487,370	8,725,165

21. Commitments

21.1 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	1,471,852	3,950,670	-	5,422,522
Equipment	185,491	428,483	-	613,974
Billboard	402,976	1,092,417	-	1,495,393
	2,060,319	5,471,570	-	7,531,889

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 a 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 2010, R1,427,515 (2009:1,436,123) was recognised as an expense in the surplus for the year in respect of the current building operating lease, whilst R904,688 (2009: R949,483) 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 has been raised. The deferral will amount to nil at the end of the lease term.

Notes to the Financial Statements

for the year ended 31 March 2010

22. Financial instruments

The NCR's financial instruments consist primarily of trade and other receivables, cash and cash equivalents, and trade and other payables.

<i>Categories of financial instruments</i>	31 March 2010	31 March 2009
	R	R
Financial assets	73,209,872	62,234,787
Loans and receivables (including cash and cash equivalents)	73,209,872	62,234,787
Liabilities	3,215,632	3,713,105
Trade liabilities at amortised cost	3,215,632	3,713,105

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 of trade receivables represents the NCR's maximum exposure to 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 (R73,019,953) to the carrying amount of these instruments. The institution in which funds have been placed is monitored on a quarterly basis to assess any potential risks. Cash and cash equivalents are only placed with banking institutions with an AA credit rating.

Market risk

Interest rate risk

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

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 50 (2009: 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 50 basis points higher or lower (2009: 100 basis points) and all other variables were held constant, the NCR's:

- Surplus for the period ended 31 March 2010 would decrease or increase by R24,730 (2009: increase or decrease by R61,852)

The NCR's sensitivity to interest rates has increased during the current period primarily as a result of a decreasing interest rate environment in 2009.

Exposure to interest rate risk is set out below:

Class of Financial instrument	Carrying value	
	31 March 2010	31 March 2009
Cash and Cash equivalents	73,019,953	61,949,948
Net exposure	73,019,953	61,949,948

Notes to the Financial Statements

for the year ended 31 March 2010

22. Financial instruments (continued)

Liquidity risk

Management monitors rolling forecasts of the NCR's cash and cash equivalents (note 9) 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 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual undiscounted liabilities	Payable in less than 3 months	Payable in 3-12 months	Payable after 1 year	Total carrying value
	R	R	R	R
31 March 2010				
Trade and other payables	3,215,632	-	-	3,215,632
Finance lease liabilities	11,650	61,393	26,096	99,139
Total contractual liabilities	<u>3,227,282</u>	<u>61,393</u>	<u>26,096</u>	<u>3,314,771</u>
31 March 2009				
Trade and other payables	3,713,105	-	-	3,713,105
Finance lease liabilities	18,844	-	-	18,844
Total contractual liabilities	<u>3,731,949</u>	<u>-</u>	<u>-</u>	<u>3,731,949</u>

Other risks

Due to the nature and extent of the NCR's financial instruments, the NCR is not unduly exposed to price risks or 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 recorded at cost in the financial statements approximate their fair values.

23. 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	Nature of the transaction	Material transactions	Balance
Key management	Contractual		See note 23.1	-
Board members	Contractual		See Accounting Authority's report	-
Department of Trade and Industry	National department in national sphere of government	Transfer payment received	(43,859,000)	-
ITC and Experion	Credit bureaus	National loan register fees	(789,506)	70,360
Telkom Ltd	Public entity in National sphere	Rental and telephone usage	663,318	-
Unemployment Insurance Fund	Public entity in National sphere		1,649,172	-
Compensation Commissioner	Public entity in National sphere	Workmens compensation	3,291	-
Bank Seta	Public entity in National sphere	Skills development levy	255,784	-

Notes to the Financial Statements

for the year ended 31 March 2010

23. Related parties (continued)

23.1 Key management personnel compensation is as follows:

For the year ended
31 March 2010

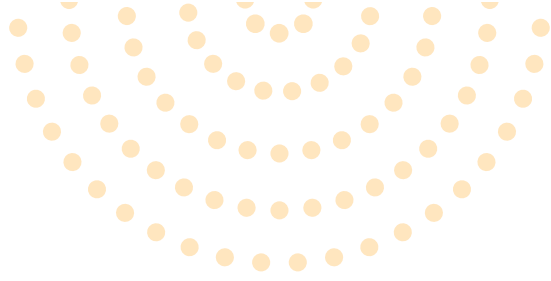
Name	Salary	Provident fund contr.	Travel allowance	Performance bonus	Total
	R	R	R	R	R
G Davel	1,483,386	168,156	33,679	316,391	2,001,612
N Motshegare	828,900	101,433	85,693	160,310	1,176,336
TS Pather	784,425	99,159	109,782	186,571	1,179,937
P Setou	717,368	86,374	76,855	158,245	1,038,842
	<u>3,814,079</u>	<u>455,122</u>	<u>306,009</u>	<u>821,517</u>	<u>5,396,727</u>

For the year ended
31 March 2009

Name	Salary	Provident fund contr.	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
	<u>3,275,682</u>	<u>398,631</u>	<u>333,935</u>	<u>852,754</u>	<u>4,861,002</u>

24. Reconciliation of budget surplus in the Statement of Financial Performance

Net surplus per Statement of Financial Performance	11,830,560
Adjusted for:	
Depreciation	1,237,085
Amortisation	171,021
Non-current assets written off	229,072
Increases in provisions	1,333,526
Budgeted capital expenditure	(2,122,600)
Variances compared to approved budget	(12,678,664)
Revenue variances	3,988,146
Revenue from exchange transactions	(4,516,813)
Revenue from non-exchange transactions	3,344,832
Finance income	(945,899)
Utilisation of surpluses	6,106,026
Expenditure variances	16,666,810
Operating expenditure	6,663,748
Personnel expenditure	6,055,594
Administrative expenses	3,947,468
Net surplus per approved budget	-



Abbreviations applied

Abbreviations applied:

DTI	Department of Trade and Industry
NCR	National Credit Regulator
GRAP	Generally Recognised Accepted Accounting Practice
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
PFMA	Public Finance Management Act
ASB	Accounting Standards Board
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
IGRAP	Interpretations of the Standards of Generally Recognised Accepted Accounting Practice

Annexure A

Strategic Objectives: Performance against targets

Type of activity: Registration and compliance

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	Quarterly/Monthly Milestones	Actual Performance: Quarterly	Targets Exceeded/Not Achieved	Target Not Achieved: Plan going forward
<p>1. Turnaround times to register maintained.</p>	<p>1.1 The registration process to be finalised within 2 weeks.</p> <p>1.2 Interventions to facilitate registration of debt counsellors in major towns (source: Wikipedia) where there were none registered: interventions in 40% of areas where there was none registered.</p>	<p>1.1 Report indicating number of credit providers.</p> <p>Report indicating list of Debt Counsellors registered in each major town where there was none registered before.</p>	<p>90% of the Registration target is met.</p> <p>By third quarter, interventions in 50% of areas that did not meet targets.</p>	<p>94% registered within an average turnaround time of 1 week.</p> <p>There were 300 major towns that had no registered Debt Counsellors. During this period, Debt Counsellors were registered in 47(16%) major towns.</p>	<p>Exceeded</p> <p>Not achieved; Fewer applications received from major towns and prioritized for processing.</p>	<p>Institutions offering DC training together with education officers to be used to encourage registration in major towns. Priority given to processing applications received from outlying towns.</p>
<p>2. Quarterly Annual Compliance Monitoring conducted on registrants.</p> <p><i>Large credit providers = [fee Category (cat) 1-4: credit providers with Total Principal Debt >R100million]</i></p> <p>Due dates for submission of returns for credit providers in fee categories 1-4 and credit bureaux: 15th May; 15th Aug; 15th Nov; 15th Feb.</p>	<p>2.1.1 Credit providers in fee Categories 1 to 4 to submit quarterly statistical returns on due dates.</p> <p>2.1.2 A minimum of 30% submission of annual returns by credit providers in fee Categories 5 to 7 to be received by 15th February.</p> <p>2.2. All 10 credit bureaux to submit 4 Synoptic Returns (Form 44) by due dates.</p> <p>2.3 Market conduct Study to be completed on at least 80% (125) of cat 1-4 credit providers and 100 of cat 5-7.</p> <p>2.4 Language policy proposals to be received and approved for 50% of credit providers in fee categories 1 to 4; and 20% of credit providers for fee categories 5 to 7.</p> <p>2.5 Assurance engagement reports from 60% of credit providers required by statute to be audited, in fee categories 1 to 4, to be timely submitted and analysed</p> <p>2.6 The target of R18m in terms of renewal of fees to be paid.</p> <p>2.7 Timely submission and analysis of annual compliance reports and annual financial statements from 50% of credit providers in fee categories 1 to 4.</p>	<p>2.1.1 Statistical Returns (Form 39) for credit providers timely submitted.</p> <p>2.1.2 Credit providers in fee categories 5 to 7 submitted annual statistical returns on due date.</p> <p>2.2 Four Synoptic Returns (Form 44) timely submitted by credit bureaux on due dates.</p> <p>2.3 Report indicating the number, list of credit providers surveyed and issues covered.</p> <p>2.4 Number and % of credit providers who submitted required proposals.</p> <p>2.5 % of reports reflecting issues of non-compliance from credit providers in the fee category 1 to 4, presented to the MRCC and MECC.</p> <p>2.6 Monthly Management Accounts to reflect amounts due and paid.</p> <p>2.7 % of reports from credit providers on non-compliance issues presented to the MRCC, MECC, and COO.</p>	<p>% age of submission received on due dates.</p> <p>% age of submission to be received by due date.</p> <p>Credit bureaux to submit Form 44 returns each quarter.</p> <p>25 of the credit Providers are to be surveyed per quarter.</p> <p>12.5% and 5% proposals are to be approved per quarter for categories 1-4 and categories 5-7 respectively.</p> <p>Annual Report on issues of non-compliance is to be submitted to the MRCC and MECC.</p> <p>Quarterly Reports reflecting amounts due.</p> <p>Annual Reports to be submitted to COO, MRCC, and MECC.</p> <p>Quarterly reports to be submitted to MRCC.</p>	<p>Form 39 submitted as per required targets.</p> <p>31%; cat 5 to 7.</p> <p>9 out of 10 submitted.</p> <p>None surveyed.</p> <p>88(56%) proposals approved for fee categories: 1 to 4; 735 (21%) proposals approved: Cat 5 to 7.</p> <p>5 reports were received containing issues of non-compliance (out of 85 that were submitted in total); 63% of cat 1-4 submitted reports (Total = 134).</p> <p>For this year, 21.04m received against a target of R18m.</p> <p>Annual financial statements (AFS) received from 54% of the Cat 1 to 4 credit providers; No annual compliance reports submitted yet.</p> <p>4 Reports received quarterly for the financial year.</p>	<p>Achieved</p> <p>Exceeded</p> <p>Not Achieved; One small credit bureau to cancel their registration.</p> <p>Not achieved; Overall compliance policy had to be drafted and approved first.</p> <p>Exceeded</p> <p>Exceeded</p> <p>Exceeded</p> <p>Achieved; Submission of AFS</p> <p>Not achieved; Submission of annual compliance reports. Guidelines had to be developed.</p> <p>Achieved</p>	<p>Meeting to be held with the registrant to decide on their registration status.</p> <p>The compliance policy was approved in November 2009.</p>
<p>3. Undertake customer service evaluation to improve service to applicants, registrants and other stakeholders.</p>	<p>3. Four evaluations to be conducted.</p>	<p>3. Survey results reported to the MRCC.</p>	<p>Quarterly reports to be submitted to MRCC.</p>	<p>4 Reports received quarterly for the financial year.</p>	<p>Achieved</p>	<p>Submitted to MRCC meetings.</p>

Type of activity: Complaints

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	Quarterly Milestones	Actual Performance: Quarterly/Monthly	Targets Exceeded/Not Achieved	Target Not Achieved: Plan going forward
1. Effective Complaints resolution through: <ul style="list-style-type: none"> Rapid response to high profile complaints Improved turn-around times to resolve complaints. 	1.1 Intervention within two (2) weeks. Intervention: 1 st step taken by the NCR towards resolution of a complaint. 1.2 40% to be resolved within 30 days; 40% within 60 days; 20% within 90 days.	1.1 Relevant reports submitted to COO/CEO, in terms of the policy on high profile complaints. 1.2 Complaints resolved within the turn-around times.	1.1 Monthly Reports are submitted. 1.2 Reports are presented to Management Enforcement and Complaints Committee.	19 high profile complaints were received this financial year and interventions were within 7 days. 3497 complaints were logged; 31% resolved within 30 days; 24% resolved within 60 days; Some of the 33% were either resolved within 90 days or after 90 days. The rest were in work in progress.	Exceeded Not achieved: The department operated under capacity.	Complaints officers worked extended hours. Additional external resources were appointed on a temporary basis to assist with the backlog.
	2.1 Quarterly meetings & workshops with provinces. 2.2 Quarterly Meetings with Ombuds.	2.1 Minutes of the meetings/evaluation report. 2.2 Minutes of the meetings /reports.	2.1 Quarterly Progress reports. 2.2 Quarterly Progress reports.	4 Compliance Committee meetings organized by the DTI Consumer Affairs – Complaints Resolution Directorate, were held in Pretoria, Mafikeng, Bloemfontein and Polokwane. 3 workshop and 5 meetings were held, with Provincial Consumer Affairs Offices in Free State, Kwazulu Natal, Eastern Cape and Gauteng.	Exceeded Achieved	
3. Offering Quality advice to consumers.	3.1 Unanswered call rate must be less than 15%. 3.2 Service Provided by the department to be evaluated quarterly.	3.1 Telephone management system report to reflect this. 3.2 Evaluation Report.	3.1 Monthly Management / Quarterly reports and reports to MECC. Quarterly reports to MECC.	Complaint calls: 51 956 were offered; Unanswered call rate = 9,1%. DRP calls: 29 939 were offered; Unanswered call rate = 6,3%. 4 quarterly evaluations were done.	Exceeded Achieved	

Type of activity: Investigations and prosecution

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	2009/2010 Milestones	Actual Performance: 2009/2010	Targets Exceeded/ Not Achieved	Target Not Achieved: Plan going forward/ Reasons for targets exceeded
1. Conduct & conclude investigations on entities registered with the NCR or non-registrants that need to comply with the NCA.	66 mandated investigations: 1.1 20 cases to be investigated on credit providers in the fee categories 1 to 4; (60% (or 12) of the cases to be concluded. 1.2 46 cases to be investigated on credit providers in the fee categories 5 to 7; 70% of the cases to be concluded.	Report showing % of cases concluded and an investigation report is submitted, reviewed and necessary steps taken;	Quarterly Progress report is submitted to MECC.	1.1 20 cases were concluded. 1.2 59 investigations were concluded.	Exceeded	
2. Visible enforcement against high profile abusive practices.	2 x High profile cases where excess of 500 consumers are affected or large financial prejudice has occurred.	2.1 Increase in media coverage; 2.2. Significant negative impact on consumers and industry.	Quarterly Progress report submitted to MECC.	1. An investigation resulted in the NCR accepting formal written undertakings from a large Taxi Financier with regard to unlawful provisions in the credit agreements; also issued an instructional letter regarding non-compliance with processes in terms of Section 127 of the Act. This entity has commenced the implementation of systems and changing of agreements. 2. A compliance notice was issued to a large micro lender who was granting a large number of emergency loans in contravention with the NCA. The above cases have received media (printed media, radio and TV) coverage.	Exceeded	
3. Effective enforcement in priority issues: Significant consumer loss e.g. housing; vehicles; Debt counselling; Abusive fraudulent, misleading, practices; Advertising and marketing practices; Pre-agreement quotes and disclosure; Interest and fee limitations; Non-registrants; Credit Life Insurance; Pawnbroking.	At least 60% of investigations must be conducted in these areas.	There must be: Change in Behaviour (improved compliance)	15 % investigations completed per quarter.	The priority issues investigated were: Significant consumer loss; abusive fraudulent, misleading, practices; non-registrant; pre-agreement quotes and disclosure; interest and fee limitations; non-registrants. Improved Compliance: No longer retain cards and pins; others applied for registration; registrations cancelled; Overcharging on cost of credit was rectified; refunds made to consumers; vehicles returned to consumers; stopped fraudulent practices and sent letters to consumers withdrawing consents to judgment.	Exceeded	
4. Enforcement action against non-compliance with the NCA.	Visible enforcement action through compliance notices letters and referrals to the Tribunal and/or courts in 40 cases per annum.	There must be: 3.1 Change in Behaviour (Improved Compliance)	Visible enforcement action through compliance notices, letters of undertakings, instructional letters in 10 cases per quarter.	Visible enforcement action in 56 cases Tribunal Referrals: The NCR has dealt with 5 Debt Counsellors at the Tribunal and have been victorious in all of them. The NCR has dealt with 2 Credit Providers at the Tribunal and have been victorious in all of them. Compliance notices: 16 compliance notices were issued; Instructional letters: 16 instructional letters were issued; Criminal cases: A total of 5 criminal cases were opened. 2 cases against Debt Counsellors and 3 against Credit providers. Compliance certificates 4 Compliance certificates were issued to credit providers.	Exceeded	

Type of activity: Education, communication & debt counselling

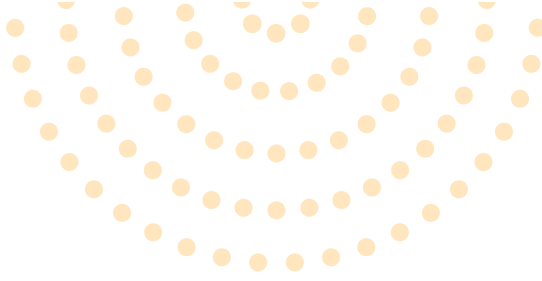
Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	Quarterly/Monthly Milestones	Actual Performance: Quarterly/Monthly	Targets Exceeded/Not Achieved	Target Not Achieved: Plan going forward
1. Increase public awareness on protective measures contained in the NCA.	<p>1.1 NCA workshops to be attended by 36 000 participants:</p> <ul style="list-style-type: none"> consumers credit providers other stakeholders. <p>1.2 R40 million Advertising Value Equivalent (AVE); 180 radio interviews; 36 TV interviews.</p>	<ul style="list-style-type: none"> Evaluation forms Attendance register Monthly reports Annual impact study reflecting improved awareness. E-Boards News clippings PR agency records 	<p>36,000 participants/year.</p> <ul style="list-style-type: none"> AVE: R40m Radio: 180/year TV: 36/year 	<p>41 933 participants for the year</p>	Exceeded	
2. Support the implementation of debt counselling through: <ul style="list-style-type: none"> ongoing training provision of support and, monitoring of debt counsellors 	<p>2.1 450 debt counsellors to be trained.</p> <p>2.2 Support to be provided to 600 debt counsellors.</p> <p>2.3 Monitoring visits to be made to 240 debt counsellors;</p>	<ul style="list-style-type: none"> Attendance register Training report <p>Monthly reports indicating a list of debt counsellors who were supported, date when support was provided and nature of support. Individual reports and letters sent to debt counsellors.</p> <p>Agreements signed with the NCR.</p>	<p>450 debt counsellors trained for the year.</p> <p>Support to be provided to 600 debt counsellors for the year.</p> <p>420 debt counsellors visited/year.</p>	<p>614 DCs were trained.</p> <p>Support provided to 593 debt counsellors.</p> <p>474 Monitoring visits.</p>	<p>Exceeded</p> <p>Not Achieved Only one company providing support</p> <p>Achieved</p>	<p>To arrange with the company to provide support to more debt counsellors.</p>
3. Effective implementation of Payment Distribution Agencies.	<p>3.1 Six (6) Payment Distribution Agencies to be fully operational.</p> <p>3.2 To hold four (4) meetings with PDAs.</p>	<p>Detailed monthly reports to the NCR as per the SLA.</p> <p>Monthly reports reflecting distributions.</p> <p>Minutes of the meetings.</p> <p>Audit report for each appointed PDA.</p>	<ul style="list-style-type: none"> Agreements signed with two additional PDAs by June 09 Monthly reports <p>Monthly progress report on the status of the declarator</p> <p>Monthly report on the progress of formulation</p>	<ul style="list-style-type: none"> Agreement signed with 1 additional PDA. NCR has received monthly reports from all five registered PDAs. At end March 2010, R1,5 billion was distributed by PDAs to credit Providers Quarterly meetings were held with PDA Forum in April and September 2009 and January 2010. Quarterly audits were conducted by Gobodo on four registered PDAs. Judgement was handed down in August 2009 at the Pretoria High Court. Proposed amendments to the Act sent to the DTI on 17 August 09. Awaiting response from the DTI. 	<p>Not Achieved</p> <p>Achieved</p> <p>Not Achieved</p> <p>Achieved</p> <p>Not Achieved</p> <p>Achieved</p> <p>Achieved</p>	<p>One potential PDA indicated they are reviewing their decision whether to proceed with approval as a PDA.</p> <p>A meeting could not be planned for the 3rd quarter as it was close to the festive season.</p> <p>DTI has indicated that the amendments will be considered.</p>
4. Resolution of uncertainty on court processes and fees.	<p>4.1 Declarator to be obtained and follow up steps to be taken by June 2009.</p> <p>4.2 As and when necessary, support of the formulation of regulations on court processes and fees.</p>	<ul style="list-style-type: none"> increase in the number of debt counselling cases going through the courts. Correspondence between NCR and DTI on regulations. 	<ul style="list-style-type: none"> Monthly progress report on the status of the declarator Monthly report on the progress of formulation 	<p>Proposed amendments to the Act sent to the DTI on 17 August 09. Awaiting response from the DTI.</p>	<p>Achieved</p> <p>Achieved</p>	<p>DTI has indicated that the amendments will be considered.</p>

Type of activity: Research and statistics

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	2009/2010 Milestones	Actual Performance: 2009 to 2010	Targets Exceeded/Not Achieved	Target Not Achieved: Plan going forward/Reasons for exceeded targets
1. Enhancement of The Returns Management System (RMS)	The balance (1-164) of category 1 to 4 credit providers to be captured.	100% capacity of the RMS developed to accommodate all category 1 to 4 credit providers.	To be operational by 2 nd quarter of financial year.	The original system was delivered by the 2 nd quarter;	Achieved	
2. Credible credit Providers statistics to be published within acceptable time frames;	2.1 Consumer Credit Report: 2nd set to be published by 1 st quarter and 3 rd set by 2 nd quarter. 2.3 4 th & 5 th to be published within 4 months from deadline of submission.	4 sets of published statistics on due dates.	Quarterly Publication.	The 2 nd Consumer report was released during 2 nd quarter and the 3 rd Report in the 3 rd quarter. The 4 th Consumer Credit Report was published during 4 th quarter.	Not Achieved Decision was taken to delay publishing information relating to one quarter, but instead to cover a longer period, as the information was already available and would provide a clearer trend. Not achieved. Same as above.	To built efficiencies in processes so that publishing is done timeously.
3. Progress in achieving priority research objectives and prioritizing;	3.1 Over – Indebtedness research to be conducted by 2 nd quarter of the financial year. 3.2 Access to finance In priority areas SME finance, Housing finance, Rural Finance, Low income and HDI by 3 rd quarter of the financial year. 3.3 Report to the Minister in terms of section 16.	Published Report on website; Published Report on website; Report sent to Minister.	N/A N/A N/A	The final report on Household Indebtedness was submitted on 21 July 2009 (2 nd quarter). Report on "Cost & Access to Finance" published on the website in July 2009. A presentation covering debt counselling issues and challenges; Impact of financial crisis on consumer credit industry; and the National Credit Register, was made to the Minister on 27 th July 2009.	Achieved in priority research objectives. Priority research had to be done as a result of current challenges in the industry: <ul style="list-style-type: none">• The Debt Counselling Process;• Blockages in the Debt Counselling Payment Distribution System;• Assessment of the current and expected impact of the financial crisis and economic downturn. The findings of the research above were also shared with the Portfolio Committee.	

Type of activity: Credit information

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	Quarterly Milestones	Actual Performance for the year	Targets exceeded/not achieved	Targets achieved; plan going forward
1. Credible credit bureaus statistics to be published within acceptable time frames.	Credit Bureau Monitor to be published from Credit Bureau quarterly returns (Form 44), within 1.5 months from deadline of submission:	Credit Bureau Monitor published on due dates.	Quarterly Credit Bureau Monitor publication on due dates.	Q1: Jan to March published 8 July 2009 = over due by 8 days; Q2: April to June published 7 Oct. 2009= overdue by 7 days; Q3: July to September published on 14 December 2009 = ahead of deadline by 14 days; Q4: October to December to be published in late April 2009, but deadline was 31 March 2010.	Not Achieved Impacted by staff members being off; sick & study leave. Not Achieved Exceeded	Plan more effectively; schedule meeting for the sign off committee. Also workshop individually with the bureaus.
2. Enforce credit bureau compliance.	Review the Credit bureau compliance reports within 2 months of submission deadline 15 March 2009 and 2010.	Annual compliance report published from credit bureau annual certified returns (Form 43)	N/A	Deadline for Review was not met.	Not achieved One credit bureau submitted erroneous information. Not Achieved Initial planning for the 2009 report was impacted by the restricted resource availability.	The Credit Bureau has added capacity in this area on a permanent basis, including an internal auditor. Create timeline and action plan for the delivery of the annual review of Form 43 submissions ; Call a workshop with the bureaus to present the aggregate findings.
3. National Credit Register (Credit Agreements).	Appoint a project manager and operator for the National Register by Q3 of 2009.	A project manager and operator are appointed; Register is fully operational by early 2009.	N/A	Appointment of project manager not done and register not operational yet.	Not Achieved (Not within NCR control) Business plan delivered to DTI in July 2009 – still awaiting DTI directive.	NCR to pursue with DTI.
4. National Loans Register (NLR).	The legal entity to take over the management of the NLR to be in place by July 2008.	National Loan Register Management Committee is operational.	N/A	The NLR Management Committee was appointed.	Achieved	



Type of activity: Finance and IT

Activity	Targets/Output to be delivered by 31 March 2010	Performance Indicators	Quarterly/Monthly Milestones	Actual Performance: Quarterly/Monthly	Targets Exceeded/ Not Achieved	Target Not Achieved: Plan going forward
1. Implementation of procedures for effective PFMA compliance	1.1 Unqualified audit opinion;	External audit (AG) <ul style="list-style-type: none"> Interim audit No significant items Final audit AG opinion except for matters not within the control of finance. 		The NCR has received an unqualified audit report for the 2008/9 financial year. No management letter points from 2009/10 interim audit.	Exceeded	
	1.2 No significant PFMA compliance issues;	<ul style="list-style-type: none"> Internal audit reports PFMA compliance; Finance audit Quarterly reports to DTI PFMA calendar 	No significant PFMA compliance issues.	No PFMA issues noted.	Achieved	
2. Expenditure Monitored and within budgets	2.1 Management accounts distributed by 15 th of each Month.	<ul style="list-style-type: none"> Monthly management accounts produced, distributed to management 		Management accounts for the months April to March was distributed on the 15 th of the month.	Achieved	
	2.2 Monthly monitoring of budget variance and reporting thereon.	<ul style="list-style-type: none"> Monitor actual spending against budget and inform managers thereof. 		Budget variance memos distributed to managers and monthly meetings held on budget variances.	Achieved	
3. Ensure sufficient funding to achieve operational targets:	3.1 Alternative funding identified or expenditure adjustments made to accommodate funding shortfalls, when the surplus is exhausted;	<ul style="list-style-type: none"> Monitor use of surplus. Endeavour to source funding from DTI and all other possible sources. 		1. An accumulated surplus of R37.9M. 2. A letter for the retention of surplus submitted to DTI.	Achieved	
	4.1 98% uptime.	<ul style="list-style-type: none"> Monitor any downtime experienced and ensure that it is kept to a minimum (2%). 		1% downtime for the year ended 31 March 2010.	Achieved	
4. Effective IT systems and support.	4.2 Formulate a strategy for development and implementation of a new system by 2013/14.	<ul style="list-style-type: none"> Detailed strategy for development and implementation required. Tender to develop a strategy to be advertised by 30/09/09. 		Current status of IT and support functionality and capability of the system assessed. A decision to conduct the Business Process Re-engineering (BPR) exercise prior to the systems development taken. The tender process was followed and completed. Work commenced on 23/11/2009 by mapping the existing processes. Phase 1 completed by 31 March 2010.	Achieved	

Type of Activity: Human Resources

Activity	Output to be delivered by 31 March 2010	Performance Indicators	Quarterly/Monthly Milestones	Actual Performance: Quarterly/Monthly	Targets Exceeded/Not Achieved	Target Not Achieved: Plan going forward
1. Recruitment and retention of highly skilled and committed staff.	1.1. To improve turnaround time to fill vacancies: 3 months to fill critical posts.	All critical posts filled within time frames.	1.1. At least 60% of all posts advertised in March 2009 filled within three months in the 1 st quarter. The rest of the positions filled in the 2 nd quarter.	58% had been filled in the 1 st quarter; (7%) positions were filled in 3 rd quarter and the balance in subsequent quarters.	Not Achieved	All targets not achieved in certain activities below (where specific reasons not provided): Reasons The HR department was operating under capacity; A new manager started in Feb 2010 and a HR supervisor to be appointed in April 2010.
	1.2. To reduce Staff turnover by 50% and vacancy rate to be in line with acceptable industry norms (Acceptable rates: Industry-22% and the DTI-15%).	Staff turnover reduced accordingly.	1.2. Average reduction in staff turnover should be 10% - 15% per quarter. 1.2.2. Identify the critical skills and agree on the retention strategy for these skills in the 1 st quarter. Implement the retention strategy in the 2 nd quarter.	Total Turnover stands at 15.6 %; vacancy rate at 13% as at 31 March 2010. The report on critical skills & retention strategy was presented to the HR management committee (HRMC) in Nov 2009;	Not Achieved	Staff retention will be one of the priorities for the 2010/2011 financial year. Retention Strategy Draft report revised and will be presented to HRMC in the new year.
	1.3. Ensure that the NCR's remuneration strategy is in line with market trends.	Salary benchmarking exercise conducted.	1.2.3. Implement the Career Management & Succession Planning (CMSP) in the 2 nd quarter.	First draft was presented to management in July 2009;	Not achieved	Career Management & Succession Planning: Report to be finalised in the new year (last quarter).
2. Management of employee relations and improvement of staff moral.	2.1. A forum to address staff issues to be established.	Formation of a fully functional employee/ employer consultative forum (EECF).	Election of Departmental reps in the 1 st quarter. Establishment of the mandate of the EECF by the first quarter.	A forum to address staff issues was established in July 2009. The forum mandate has been drafted and discussed in several meetings.	Achieved	EECF Mandate To be finalised in the 1st quarter of the new year.
	2.2. Employee wellness services to be available to staff by the end of September 2009.	Functioning employee assistance programme.	Activities of the EECF to be tabled to the HR committee on a quarterly basis. N/A	Activities of the EECF were presented to the HRMC in February 2010. The employee assistance programme was made available to employees in September.	Achieved	
		Progress reports on issues raised through employee assistance programme	Progress reports on issues raised through employee assistance programme	Careways submitted a report in December.	Achieved	



Type of Activity: Human Resources (continued)

	2.3. At least 50% of issues raised by staff at the diversity management workshops to be addressed	2.3 Interventions to address low staff morale to developed and implemented.	Progress report presented to the HRMC in February 2010;	Most of the issues are being addressed.	Achieved	
	2.4. Employment Equity plan (EEP) to be reviewed and implemented in this year.	Existence of a well documented Employment equity plan.	Employment equity plan reviewed and submitted to board for approval in the 1 st quarter.	EE plan has not been reviewed.	Not Achieved Formulation of the plan had to be in consultation with EECF.	To be presented to Board in the new year.
			Submission of the employment equity report to the Department of Labour in the 2 nd quarter. Establishment of the Employment Equity Committee (EEC) in the 1 st quarter.	The employment equity report was submitted in January 2010.	Target Achieved	
3. Improvement of HR capacity and capability	3.1. The HR Manager and Senior HR Officer positions to be filled by the end of the 1 st quarter	Both positions in HR are filled by full time employees on due date.	The positions are filled by the end of the 1 st quarter.	The Snr. HR Officer position was filled in 1 st quarter and that of Acting Manager in the 2 nd quarter.	Target Not Achieved The EEC was proposed to be part of EECF. Process delayed due to lengthy consultations.	Establishment of EEC The EEC was established in February 2010 (4 th quarter).
4. Development of staff and improvement of organisational performance	4.1. At least 60% of all supervisors and managers to attend a customised leadership and management development program.	4.1 Leadership and Management Development program designed and implemented	Conduct leadership and management audit in the 1 st quarter Develop a customised leadership and management development program in the 2 nd and deliver in the 3 rd quarter	A consultant has submitted a proposal for coaching of managers for consideration by the HRMC.	Not achieved The activity was deferred because of capacity problems in HR.	Leadership Management Program: Audit, design and implementation to be conducted in the new financial year.
	4.2. All staff to understand performance management system (PMS); Quarterly short term incentive scheme to be in place.	PMS reviewed and short-term incentive scheme to be developed and implemented.	Performance management system reviewed in the 1 st quarter; All staff and managers trained.	The appointed Consultant has delivered the report and the report was discussed at the HR committee.	Not achieved. Due to lack of capacity.	This report will be finalised in the new year.
	4.3. 60% of all staff to undergo training by March 2010.	Reports on training interventions.	Pilot the short term incentive scheme in the 2 nd quarter and implement in the 3 rd quarter. N/A	Draft report on the short term incentive scheme is still in work in progress. 64 (67%) staff members attended training during the financial year.	Not achieved Due to lack of capacity.	This report will be finalised and piloted in the new year.
			Ensure SDL claimed from Bank SETA;	R84K claimed from Bank SETA;	Achieved	
			Utilization of funds for staff development.	A total of R570K was utilised.	Achieved	

Terminology: Definition of Terms/Acronyms

ASB	Accounting Standards Board
AVE	Advertising Value Equivalent
BPR	Business Process Re Engineering
DRP	Debt Relief Programme
FSB	Financial Services Board
GRAP	Generally Recognised Accepted Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICASA	Independent Communications Authority of South Africa
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
IGRAP	Interpretations of the Standards of Generally Recognised Accepted Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFRC	Micro Finance Regulatory Council
MFSA	Micro Finance South Africa
NCA	National Credit Act
NCF	National Consumer Forum
NCR	The National Credit Regulator
NDMA	National Debt Mediation Association
NGO	Non Governmental Organisation
NLR	The National Loans Register
NQF	National Qualifications Framework
PDAs	Payment Distribution Agencies
PFMA	The Public Finance Management Act
PPE	Property, Plant and Equipment
SAICA	South African Institute of Chartered accountants
SANTACO	SA National Taxi Council

the year at a glance

NCR year at a glance from 2009 to 2010

Credit Bureau Monitors

The Credit Bureau Monitor is published on a quarterly basis. The Credit Bureau Monitor was published in June 2009, September 2009, December 2009 and in March 2010. The information reflected in the Credit Bureau Monitor is based on data held by registered credit bureaus in terms of the National Credit Act.



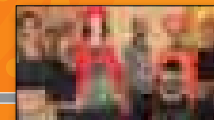
Consumer Month Campaign

The NCR ran a Consumer Month Campaign in February 2010. Broadly themed avoiding over-indebtedness, the campaign focused on five aspects: Always act on a letter of demand; Seek help from a debt counselor; Never skip your payments; Prioritise your housing loan; and Start saving today. Consumers were given useful tips to avoid over-indebtedness.



HR Cultural Day

The NCR celebrated Heritage Day by hosting its own Cultural Day in August. Recognising that South Africa is truly a "rainbow nation," employees were encouraged to celebrate South Africa's rich cultural diversity, diversity of beliefs and traditions by coming to work dressed in their traditional attire. The NCR offices were a kaleidoscope of colour.



Consumer Credit Reports

Three Consumer Credit Reports were published during the period. The Consumer Credit Report is based upon returns, which credit providers are required to submit in terms of the National Credit Act (NCA). Consumer Credit Reports were published in June 2009, September 2009 and December 2009.



Youth Month Campaign

Coinciding with Youth Day, the NCR ran a month-long campaign in June 2009, which targeted the Youth. The Campaign posed the tantalizing question: Life or debt? By using credit wisely, saving for unexpected expenses and budgeting for things that they really needed, the youth were told they could enjoy their life, instead of being burdened by debt.

Spend Wisely Campaign

Coinciding with the start of the festive season, the NCR launched its Spend Wisely Campaign in December 2009. Recognising that the global recession has impacted on consumers worldwide, consumers were urged to "tighten their belt" and "to spend wisely this festive season". Consumers were urged to budget for all expenses for December and January, before shopping for the festive season.

Nearly half of SA's debtors fall behind but many unwilling to alter their lifestyle

NUMBERS MAN
Consumer Affairs

DEBT stress is increasing in nearly half of the country's 14 million debtors as they struggle to repay creditors. Figures issued this week by the National Credit Regulator (NCR) show that at the end of September, 6.6 million credit-active consumers on credit standing, while 6.6 million had fallen three months or more behind repayments. The regulator reported that

the number of consumers in arrears was the result of "an ongoing deterioration" during the year. It reported a 10.5% increase in the number of consumers who were behind on their credit accounts at the end of September compared to the same time last year. "A lot of people who have fallen behind three months or more with their debt repayments have done nothing about it for a long time," said the regulator. "Another reason is that quite a number of manufacturing companies are working on slow time and employees are getting only 70 to 80 percent of their salary."

According to the regulator, with some reports of companies being unwilling to change their policies. Paul Steyn, director of debt counselling operations, says that the fact that credit records

did not mean people were willing to keep up with their ordinary daily expenses because, although the country was technically out of the recession, consumers were still financially vulnerable. "Because this country lacks a culture of saving, people have a habit of taking on credit. They go into overdrafts for the same but are turned away because they are already behind in their debt repayments."

"About 60 percent of all new loan applications were refused by credit providers in the past six months," said Steyn. "If you are earning 10 percent of your salary per month, you are probably behind in your debt repayments."

Steyn said that many people were unwilling to alter their lifestyle. "Many debtors are not willing to change their lifestyle. About 16 percent of debtors who make enquiries about debt restructuring tell us they will not do it because they cannot get their credit records reviewed. Many are not willing to do it because they are not happy to have their credit records reviewed and still have to pay their children," said Steyn.

Steyn said that many people were unwilling to alter their lifestyle. "Many debtors are not willing to change their lifestyle. About 16 percent of debtors who make enquiries about debt restructuring tell us they will not do it because they cannot get their credit records reviewed. Many are not willing to do it because they are not happy to have their credit records reviewed and still have to pay their children," said Steyn.

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Task team to look at debt review process

JANICE ROBERTS

THE National Credit Regulator has set up a task team to find possible solutions to numerous inconsistencies in the debt review process it is facing.

Debt counsellors Debitrusters MD Luke Hirst said on Friday that the debt review process needed to be consistent and reliable.

"Consumers who sincerely want to get their finances in order are being hindered by court delays and reluctant credit providers. Granted, inexperienced debt counsellors have also played a role in the numerous issues, but this just emphasises the need for a task team who will deal with the entire procedure from a consumer facing perspective," he said.

Hirst said that with a backlog of about 70 000 cases, consumers struggling to repay their debt and

with creditors relying on these repayments, the task team was bound to be viewed as the preferred solution.

Gabriel Duvel, CEO of the National Credit Regulator, said it was expected there would be teething problems in the implementation of the two-and-a-half year old National Credit Act.

However, the regulator "needed to act decisively to bring the situation under control".

According to Statistics SA, the number of people who applied for debt counselling in November last year was 36 244, compared with 132 291 last month.

The task team would have six months to do its work. "The ultimate objective of the task team should be to accommodate the over-indebted individual, creditors and the debt counsellors," Hirst said. Sepo

Number of credit accounts inches up

Jury out on whether this is a sign of consumer appetite recovering, or of desperate measures

MICHELLE BEECHER
Retail Industry Editor

SA's subdued credit market is showing, but it is unclear whether consumer appetite is growing, or whether people are borrowing more to get through the tough times. The number of credit accounts held by South African consumers grew 1% to 14.6 million in the quarter to September, show figures from the National Credit Regulator.

"You are better off than the UK's economy in the number of credit accounts," says the regulator. "This may be an indication that credit providers are becoming more confident in the ability of consumers to repay their credit accounts."

"Credit and the number of credit accounts are both indicators of consumer confidence. The fact that the number of credit accounts has increased is a positive sign for the economy."

However, the regulator "needed to act decisively to bring the situation under control".

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GOOD CREDIT STANDING OF CONSUMERS CONTINUES TO SLIDE
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that about 1.5 million jobs in the first three quarters of 2006. South Africa's unemployment rate is 25.5%. The proportion of debtors to debt counselling has further increased in the three months to September.

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8m consumers' credit records impaired

THE percentage of consumers in good standing with their credit records had decreased, the National Credit Regulator (NCR) said yesterday. The number was down to 55.1 percent or 8.8 million of total credit-active consumers for the quarter ended September 2006, the NCR said in a statement.

Impaired records has increased to 8.8 million. "This reflects a deterioration in the credit records of 244 000 consumers quarter-on-quarter and 900 000 consumers year-on-year," the NCR said. There have been 145.96 million inquiries made on consumer credit records. "This increase of 30.3 percent

quarter-on-quarter and 28.4 percent year-on-year was largely due to bulk inquiries conducted by various stakeholders. "Of the total inquiries made on consumer records, inquiries from banks and other financial institutions accounted for 23.8 percent, from retailers 14.7 percent and from telecommunications providers 27.9 percent," the NCR said. — Sepo

Durban debt counsellors de-registered

SEVERAL

THE National Consumer Tribunal has struck down on 11 Durban debt counsellors by cancelling their registration. The regulator said the counsellors had failed to comply with the requirements of the National Credit Act. The regulator said that the counsellors had failed to provide adequate information to consumers and had failed to provide adequate information to the regulator. The regulator said that the counsellors had failed to provide adequate information to consumers and had failed to provide adequate information to the regulator.

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National Credit Regulator

The National Credit Regulator has announced the registration of 244 debt counsellors. The regulator said that the counsellors had met the requirements of the National Credit Act. The regulator said that the counsellors had met the requirements of the National Credit Act.

HOW TO DITCH YOUR DEBT

Stay clear of abomashonisa!

Stay clear of abomashonisa!

Task team set

RELIEF is on the way for those who have been waiting to restructure their debt. The National Credit Regulator has established a task team to review the debt review process. The task team will consist of representatives from the regulator, the National Credit Regulator, and the National Credit Regulator. The task team will consist of representatives from the regulator, the National Credit Regulator, and the National Credit Regulator.

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