

**Non-Bank Financial Institutions Regulatory Authority
Annual Financial Statements
for the year ended 31 March 2023**

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

General Information

Country of domicile	Botswana
Nature of operations and principal activities	Safeguard the fairness, stability and efficiency of the non-bank financial sector.
Directors	Ms. M. V. Kabomo (Chairperson) Ms. L. Maruping Ms. P. Masalela Dr. L. S. Senatla Ms. I. M. Ramalohanye Ms. H. D. Hlanti Mr. K Gaamangwe
Chief Executive Officer	Mr. O.A.Motshidisi
Registered office	3rd Floor Exponential building Plot 54351 Central Business District Off PG Matante Gaborone
Business address	Plot 54351 Central Business District Off PG Matante Gaborone Botswana
Bankers	Stanbic Bank of Botswana Limited
Auditors	Mazars Certified Auditors
Functional Currency	Botswana Pula "BWP"

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

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Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Board Responsibilities and Approval of the Annual Financial Statements

The directors are required in terms of the Non-Bank Financial Institutions Regulatory Authority Act, 2016 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Authority as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Authority and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors set standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Authority and all employees are required to maintain the highest ethical standards in ensuring the Authority's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Authority is on identifying, assessing, managing and monitoring all known forms of risk across the Authority. While operating risk cannot be fully eliminated, the Authority endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Authority's cash flow forecast for the year to 31 March 2024 and, in light of this review and the current financial position, they are satisfied that the Authority has or had access to adequate resources to continue in operational existence for the foreseeable future.

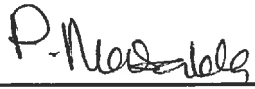
The external auditors are responsible for independently auditing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on pages 4 to 7.

The annual financial statements set out on pages 8 to 40, which have been prepared on the going concern basis, were approved by the board of directors on07/09/2023..... and were signed on their behalf by:

Approval of financial statements



Director



Director

Gaborone

Independent Auditor's Report

To the Members of Non-Bank Financial Institutions Regulatory Authority

Opinion

We have audited the annual financial statements of Non-Bank Financial Institutions Regulatory Authority set out on pages 8 to 38, which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Non-Bank Financial Institutions Regulatory Authority as at 31 March 2023, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the authority in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of Auditor's Responsibilities for the audit of financial statements in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
<p>Recognition of Revenue Received</p> <p>The Authority receives Supervisory levies which are a significant portion of the total revenue received. For the year ended 31 March 2023 the supervisory levies constituted 87.3% of the total revenue received by the authority.</p> <p>We have focused attention on this area as the Supervisory levies are significant combined with the different rates and basis applied for the nature of entities.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We reviewed the rates used as per the second schedule of the NBFIRA Supervisory Levies Regulations, 2021 and assessed whether these had been properly applied to the regulated entities. • We performed recalculations on the sample of invoices based on the information provided by the regulatory division and verified that these have been accurately processed and recorded in the general ledger
<p>Impairment of Trade receivables</p> <p>On 31 March 2023, the Authority had net trade receivables of P143,076 after recognising a total impairment allowance of P2,334,039 on its statement of financial position.</p> <p>The Authority applies a provisioning matrix as a practical expedient to determine the expected credit losses for trade receivables. Trade receivables have been assessed on a collective basis for all trade and other receivables in totality.</p> <p>Trade receivables are considered irrecoverable when the customer has not made any payment within 120 days is in Severe financial difficulty and there is no realistic prospect of recovery or has entered in a bankruptcy proceedings.</p> <p>In determining the impairment, key judgements were applied by the Authority in selecting and applying an appropriate model and in determining the credit losses which are expected to be incurred once it is considered irrecoverable.</p> <p>Impairment of trade receivables was a matter of most significance to the current year audit due the significance of the trade receivable balance, as well as the judgements and estimates applied in determining an appropriate level of impairment is disclosed in:</p> <p>Note 1: Accounting policy and Note 17: Trade and other receivables.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We assessed the Authority's grouping assessment based on the credit profile. • We assessed the Authority's impairment model against the requirements of IFRS 9 Financial instruments ("IFRS 9") • We tested, on the sample basis, the data utilised in the impairment model as at 31 march 2023, including ageing of debtor balances and debt recovery rates. • We assessed the judgements made by the Authority in determining adjustments to loss rates for forward looking macroeconomic factors through discussion with management and our knowledge of the operations and gained through our audit <p>In conclusion we considered the judgements applied on the valuations of the trade receivable applying the IFRS 9 model and related financial statements disclosures to appropriate.</p>



Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises the Detailed income statement set out on pages 39 to 40 which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Annual Financial Statements

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

In preparing the annual financial statements, the directors are responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the authority or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Annual Financial Statements

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

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

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Reporting on Other Legal and Regulatory Requirements

As required by the Non-Bank Financial Institutions Regulatory Authority Act, 2016, we report to you based on our audit that:

- All the information and explanation which to the best of auditor's knowledge and belief, were necessary for the performance of the auditor's duties.
- The records and related records of the Regulatory Authority have been properly kept.
- The regulatory Authority has complied with all the financial provisions of this Act which is its duty to comply with; and
- The statement of accounts prepared by the Authority was prepared on a basis consistent with that of the preceding year and represents a true and fair view of the transactions and the financial affairs of the regulatory authority.

MAZARS

Mazars
Certified Auditors
Practicing member: Devika Rayirath
Membership number: CAP 0037 2023

Date:

08/09/2023

Gaborone

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2023

Figures in Pula	Note	2023	2022
Revenue			
Government grants	3	4,832,830	11,649,226
Amortisation of government grants	4	1,186,988	1,074,027
Other operating income	5	6,401,573	4,801,865
Supervisory levies	6	85,699,270	75,759,020
Total revenue		98,120,661	93,284,138
Movement in credit loss allowances	7	(1,902,287)	(1,596,760)
Administrative expenses	8	(10,458,568)	(8,249,348)
Operating expenses	9	(11,315,687)	(9,231,493)
Consultancy cost	10	(7,391,441)	(2,457,609)
Staff costs	11	(57,584,097)	(57,539,930)
Total operating expenses		(88,652,080)	(79,075,140)
Operating surplus		9,468,581	14,208,998
Finance income	12	3,004,313	1,132,438
Finance costs	13	(588,583)	(689,151)
Total operating surplus for the year		11,884,311	14,652,285
Other comprehensive income:			
Gains on property revaluation		-	181,980
Other comprehensive income for the year		-	181,980
Total comprehensive income for the year		11,884,311	14,834,265

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Statement of Financial Position as at 31 March 2023

Figures in Pula	Note	2023	2022
Assets			
Non-Current Assets			
Property, plant and equipment	14	9,230,205	5,567,702
Right-of-use assets	15	12,383,862	11,340,110
Intangible assets	16	633,139	-
		22,247,206	16,907,812
Current Assets			
Trade and other receivables	17	2,369,541	2,555,606
Cash and cash equivalents	18	57,510,673	43,972,715
		59,880,214	46,528,321
Total Assets		82,127,420	63,436,133
Funds and Liabilities			
Funds			
Reserves		8,978,765	6,646,315
Accumulated surplus		35,537,627	25,985,765
		44,516,392	32,632,080
Liabilities			
Non-Current Liabilities			
Lease liabilities	15	9,172,345	9,441,167
Government grants	19	10,457,414	8,702,232
		19,629,759	18,143,399
Current Liabilities			
Trade and other payables	20	8,377,760	3,587,051
Lease liabilities	15	4,220,978	2,649,315
Short-term employee benefits	21	5,382,531	6,424,288
		17,981,269	12,660,654
Total Liabilities		37,611,028	30,804,053
Total Funds and Liabilities		82,127,420	63,436,133

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Statement of Changes in Funds for the year ended 31 March 2023

Figures in Pula	Revaluation reserve	Statutory reserve	Total reserves	Accumulated surplus	Total Funds
Balance at 01 April 2021	442,795	6,921,540	7,364,335	10,433,480	17,797,815
Surplus for the year	-	-	-	14,652,285	14,652,285
Other comprehensive income	181,980	-	181,980	-	181,980
Surplus for the year	181,980	-	181,980	14,652,285	14,834,265
Transfer between reserves	-	(900,000)	(900,000)	900,000	-
Total changes recognised directly in Statement of Funds	-	(900,000)	(900,000)	900,000	-
Balance at 31 March 2022	624,775	6,021,540	6,646,315	25,985,765	32,632,080
Surplus for the year	-	-	-	11,884,312	11,884,312
Surplus for the year	-	-	-	11,884,312	11,884,312
Transfer between reserves	-	2,332,450	2,332,450	(2,332,450)	-
Total changes recognised directly in statement of funds	-	2,332,450	2,332,450	(2,332,450)	-
Balance at 31 March 2023	624,775	8,353,990	8,978,765	35,537,627	44,516,392

Statutory Reserve

Section 23 (2) of the Non-Bank Financial Institutions Regulatory Act, 2016 requires that an annual estimate not exceeding 10 percent (10%) of the total expenditure provided for in the estimates, be provided for as a reserve. The Statutory Reserve provided is adequate for the level of expenditure incurred. The purpose of the reserve is to be utilised for unforeseen regulatory expenditure.

The Regulatory Authority believes that based on the current budget, the statutory reserve is adequate and in compliance with Section 23 (2) of Non-Bank Financial Institutions Regulatory Act, 2016.

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Statement of Cash Flows for the year ended 31 March 2023

Figures in Pula	Note	2023	2022
Cash flows from operating activities			
Cash generated from operations	22	16,797,102	18,180,386
Finance costs		(588,583)	(689,151)
Net cash from operating activities		16,208,519	17,491,235
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(5,682,429)	(1,795,139)
Interest income		3,004,313	1,132,438
Net cash from investing activities		(2,678,116)	(662,701)
Cash flows from financing activities			
Government grants		2,942,170	878,579
Payment on lease liabilities		(2,934,615)	(2,336,867)
Net cash from financing activities		7,555	(1,458,288)
Total cash and cash equivalents movement for the year		13,537,958	15,370,246
Cash and cash equivalents at the beginning of the year		43,972,715	28,602,469
Total cash and cash equivalents at end of the year	18	57,510,673	43,972,715

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1. Significant accounting policies

The annual financial statements have been prepared in accordance with International Financial Reporting Standards. The annual financial statements have been prepared on the historical cost basis (except for certain financial instruments measured at fair value) and incorporate the principal accounting policies set out below. They are presented in Pula .

These accounting policies are consistent with the previous period.

1.1 Statement of Compliance

The annual financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and the Non-Bank Financial Institutions Regulatory Act 2016.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with the International Financial Reporting Standards requires the use of certain critical accounting estimates and judgements concerning the future. Estimates and judgements are continually evaluated and are based on historical factors coupled with expectations about future events that are considered reasonable. In the process of applying the Authority's accounting policies, management has made the following estimates that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next year.

Key Areas of estimation and judgement

The key assumption concerning the future and other key sources of estimation uncertainty and judgements at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year as this involves assessments or decisions that are particularly complex or subjective, are discussed below:

Depreciation charges and residual values

For depreciation purposes, a significant component is defined as equal to or greater than 20% of total cost of the asset and each significant component with different useful lives is depreciated separately. The depreciation methods reflect the pattern in which economic benefits attributable to the assets flow to the entity. The useful lives of these assets can vary depending on a variety of factors, including but not limited to the technological obsolescence, maintenance programs, refurbishments, product life cycles and the intention of management. Residual values of assets are determined by estimating the amount that the entity would currently obtain from the disposal of the asset already of age and in the condition expected at the end of its useful life. The estimation of the useful life and residual values of an asset is a matter of judgement based on the past experience of the Authority with similar assets and the intention of management. Assessment of the asset condition and usefulness are key assumptions used to determine the assets' useful lives and residual values.

Supervisory Levies

Where supervisory levies are calculated on information that has not been audited, the Regulatory Authority assumes that estimates have been used and will place reliance on the information submitted by the regulated entities as a basis for calculation.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply and demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on information available.

1.3 Property, plant and equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. All plant and equipment are measured at historical cost less depreciation and impairment losses. Historical costs includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs such as replacement parts and major inspections are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All day-to-day repairs and maintenance are charged to the surplus or deficit during the financial period in which they are incurred.

Motor vehicles is subsequently measured at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting year. The assets are revalued every 2-3 years.

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is recognised in other comprehensive income and accumulated in the revaluation reserve in equity. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in profit or loss in the current year. The decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in the revaluation reserve in equity.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income when the asset is derecognised.

The revaluation reserve related to a specific item of property, plant and equipment is transferred directly to retained income as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.3 Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost of the assets over their estimated useful lives on a straight-line basis, to estimated residual values. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated separately over their useful lives. The methods of depreciation, useful lives and residual values are reviewed annually, with the effect of any change in estimates accounted for prospectively. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

Item	Depreciation method	Average useful life
Leasehold property	Lease Term	Lease Term
Furniture and fixtures	Straight line	10 years
Motor vehicles	Straight line	4-5 years
Office equipment	Straight line	6-7 years
Computer equipment	Straight line	3-7 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Capital work in progress

Capital work in progress represents cost incurred to date on property, plant and equipment which is still under construction but not yet completed. For capital work in progress, no depreciation is recorded until the asset is placed in service. When the project is completed, the asset is reclassified as tangible asset and is capitalised and depreciated.

1.4 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Average useful life
Risk Based Supervisory System (RBSS)	5 years
Enterprise Resource Planning (ERP)	5 years
Barn owl (Risk and Audit Management System)	5 years

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.5 Financial instruments

Financial instruments held by the Authority are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Authority, as applicable, are as follows:

Financial assets:

- Amortised cost.

Financial liabilities:

- Amortised cost.

Note 26 Financial instruments and risk management presents the financial instruments held by the Authority based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Authority are presented below:

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (Note 17).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Authority's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the Authority becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Authority recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The Authority measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.5 Financial instruments (continued)

Measurement and recognition of expected credit losses

The Authority makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in Note 17.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance Note 17.

Write off policy

The Authority writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Authority recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Credit risk

Details of credit risk are included in the trade and other receivables note (Note 17) and the financial instruments and risk management note (Note 26).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item .

Trade and other payables

Classification

Trade and other payables (Note 20), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Authority becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Non-Bank Financial Institutions Regulatory Authority

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Accounting Policies

1.5 Financial instruments (continued)

Trade and other payables expose the Authority to liquidity risk and possibly to interest rate risk. Refer to Note 26 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash, cash deposits on call and short-term fixed deposit accounts in banks. Cash and cash equivalents are subsequently carried at amortised cost. Due to the short-term nature of these, the amortised cost approximates its fair value.

The Authority's financial assets include cash and cash equivalents and trade and other receivables.

Derecognition

Financial assets

The Authority derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Authority neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Authority recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Authority retains substantially all the risks and rewards of ownership of a transferred financial asset, the Authority continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Authority derecognises financial liabilities when, and only when, the Authority obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1.6 Leases

The Authority assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the Authority has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Non-Bank Financial Institutions Regulatory Authority

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Accounting Policies

1.6 Leases (continued)

Authority as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Authority is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Authority recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the Authority has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the Authority is a lessee are presented in Note 15 Leases (Authority as lessee).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Authority uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Authority under residual value guarantees;
- the exercise price of purchase options, if the Authority is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability (or right-of-use asset). The related payments are recognised as an expense in the period incurred and are included in operating expenses (Note 15).

The lease liability is presented as a separate line item on the Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs (Note 13).

The Authority remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- there has been a change to the lease term, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- there has been a change in the assessment of whether the Authority will exercise a purchase, termination or extension option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

Non-Bank Financial Institutions Regulatory Authority

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Accounting Policies

1.6 Leases (continued)

- there has been a change to the lease payments due to a change in an index or a rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- there has been a change in expected payment under a residual value guarantee, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate;
- a lease contract has been modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognised in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-use assets

Right-of-use assets are presented as a separate line item on the Statement of Financial Position.

Lease payments included in the measurement of the lease liability comprise the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Authority incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. However, if a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the authority expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of a lease.

For right-of-use assets which are depreciated over their useful lives, the useful lives are determined consistently with items of the same class of property, plant and equipment. Refer to the accounting policy for property, plant and equipment for details of useful lives.

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate. Each part of a right-of-use asset with a cost that is significant in relation to the total cost of the asset is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

1.7 Employee benefits

Pension

The Regulatory Authority operates a defined contribution scheme for the employees. Payments to the scheme are charged as an expense to the statement of comprehensive income as they fall due.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.7 Employee benefits (continued)

Gratuity

The Regulatory Authority provides for gratuity benefits for employees on fixed term contracts in line with the Employment Act Chapter 47:01 and the relevant employment contracts. Gratuity expenses are recognised immediately, to the extent that the benefits are amortised on a straight-line basis over the period of service, until the benefits become payable. The charge is made to expenses in the statement of comprehensive income and a separate provision in the statement of financial position.

Leave pay provision

The Regulatory Authority recognises, in full, employee's right to annual leave entitlement in respect of past service. The recognition is made each year and is calculated based on accrued leave days not taken during the year. The charge is made to expenses in the statement of comprehensive income and a separate provision in the statement of financial position.

1.8 Provisions

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate of the amount can be made. Provisions are measured at the directors' best estimate of expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect of the time value of money is material.

1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the Authority will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants relating to the acquisition of property, plant and equipment are credited to the income statement on a straight line basis over the expected useful lives of the related assets. The related costs are shown at cost less accumulated depreciation. When an asset financed through grants is disposed of, the total unamortised portion of the grant relating to the asset is recognised in profit and loss in the year of disposal.

1.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The Regulatory Authority had no eligible assets or borrowing costs for the period reported.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2023

Accounting Policies

1.11 Translation of foreign currencies

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange translation gains or losses arising on the settlement of monetary items or on translating monetary items at rates different from those used when translating at initial recognition during the period or in the financial statements are taken to the statement of comprehensive income in the period they arise.

1.12 Impairment of non-financial assets

At each financial reporting date, the Authority reviews the carrying amount of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Authority estimates the recoverable amount of the cash generating section to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating section) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised in the surplus or deficit in those categories consistent with the function of the impaired asset.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating-section) is increased to the revised estimate of its recoverable amount. This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in the prior years. A reversal of an impairment loss is recognised in the surplus or deficit.

1.13 Revenue from regulated entities

The Authority recognises revenue from the following major sources:

- Supervisory levies
- License fees
- Penalties and interest
- Finance income
- Government Grant

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Authority recognises revenue when it transfers control of a product or service to a customer.

The Supervisory levies

The supervisory levies and licence fees were promulgated into law through Statutory Instrument No.52 of 2022 of the Republic of Botswana, which was published in the Government Gazette of the 22th May 2022. Supervisory levies are charged and are payable in two equal portions, on or before the 30th April and 31st October of each financial year. Registered non-bank financial institutions are required to pay levies on an annual basis in terms of the Non-Bank Financial Institutions Regulatory Authority Act 2016. Supervisory levies are recognised at point in time. The Regulatory Authority may, on application, waive payment of some or all of a supervisory levy, penalty levy or a fee. The levies are fixed in nature and there are no separate performance obligations identified.

Non-Bank Financial Institutions Regulatory Authority

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Accounting Policies

License fees

License fees are recognised on licensing of the relevant supervised entities and are recognised at the point in time. Some classes of regulated entities are charged annual licence fees, such fees are recognised by the Authority as revenue.

Penalties and interest

Penalties and interest are recognised in the surplus or deficit on penalizing those regulated entities that have defaulted in meeting the necessary regulatory guidelines.

Finance income

Revenue is recognised as interest accrues (using the effective interest method). Finance income is recognised in the surplus or deficit.

Government Grant

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to the purchase of an asset, it is recognised as capital grant in the statement of financial position and released to the statement of comprehensive income in equal amounts over the expected useful life of the related asset. Where the Authority receives a nonmonetary grant, the asset and the grant are recorded at nominal amounts and released to the total surplus or deficit over the expected useful life of the relevant asset by equal annual installments.

1.14 Related Parties

Related parties are considered to be related if one party has the ability to control or jointly control the other parties or exercise significant influence over the other party in making financial and other operating decisions. Key management personnel are also regarded as related parties. Key Management personnel are those having authority and responsibility for planning, directly and controlling the activities of the entity, directly or indirectly including all executive and non executive directors. NBFIRA was established through an Act of Parliament enacted by the Government of Botswana.

Related party transactions are those where a transfer of resources or obligations between related occur, regardless of whether or not a price is charged.

Non-Bank Financial Institutions Regulatory Authority

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2. New Standards and Interpretations

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the annual financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The authority has early adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in annual financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The authority has early adopted the amendment for the first time in the 2023 annual financial statements.

The impact of the amendment is not material.

2.1 Standards and interpretations not yet effective

The authority has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the authority's accounting periods beginning on or after 01 April 2023 or later periods:

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

It is unlikely that the amendment will have a material impact on the authority's annual financial statements.

Non-Bank Financial Institutions Regulatory Authority

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Notes to the Annual Financial Statements

Figures in Pula	2023	2022
3. Government Grants		
Revenue grants	4,832,830	11,649,226
The total grant received from the government are as follows:		
Revenue grants	4,832,830	11,649,226
Capital grants	2,942,170	878,579
	7,775,000	12,527,805
4. Amortisation of government grants		
Amortisation of property, plant and equipment	1,186,988	1,074,027
5. Other operating income		
Gains on disposals, scrappings and settlements		
Interest and penalties, registration and renewals	4,229,509	2,836,756
Other income	2,172,064	1,965,109
	6,401,573	4,801,865
6. Supervisory levies		
Supervisory levies-Capital Markets	169,488	242,124
Supervisory levies-Insurance	15,682,701	14,063,272
Supervisory levies-Retirement fund and investment institutions	22,718,058	21,131,692
Supervisory levies-Medical Aid	3,054,225	2,801,585
Supervisory levies-Non-Bank lending activities	44,074,798	37,520,347
	85,699,270	75,759,020
7. Movement in credit loss allowance		
Trade and other receivables	1,902,287	1,596,760
8. Administrative expenses		
Advertising	518,989	557,610
Audit fees	131,385	268,943
Administrative expenses	174,745	183,996
Bank charges	41,198	44,778
Depreciation	4,297,069	4,032,316
Amortization of Barn Owl	83,622	-
Insurance	664,125	428,688
Motor vehicle expenses	40,044	33,349
Office expenses	62,788	122,349
Printing and Stationery	612,070	611,694
Recruitment	1,050,050	174,160
Telephone and Fax	995,771	764,101
Travel	440,350	59,918
Staff costs	824,713	366,050
Utilities	521,649	601,396
	10,458,568	8,249,348

Non-Bank Financial Institutions Regulatory Authority

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Notes to the Annual Financial Statements

Figures in Pula	2023	2022
9. Operating expenses		
Board costs	629,846	235,937
Branding and communications	1,058,233	635,531
Cleaning	225,697	228,088
Internet	965,924	828,210
Legal fees	596,028	2,031,916
Repairs and maintenance	664,110	254,787
License fees	4,115,194	3,327,454
Security	141,684	133,269
Subscriptions	1,224,692	618,014
Strategy expenses	-	22,780
Training	1,694,279	915,507
	11,315,687	9,231,493
10. Consultancy costs		
Other consultancy cost	7,089,635	2,457,609
Inspection	301,806	-
	7,391,441	2,457,609
11. Staff costs		
Employee costs		
Basic salaries	33,176,164	32,650,208
Allowances	17,528,703	18,297,336
Defined contribution plan expenses	6,879,230	6,592,386
	57,584,097	57,539,930
12. Finance income		
Interest income		
Investments in financial assets:		
Bank	3,004,313	1,132,438
13. Finance costs		
Interest expense for leasing arrangements	588,583	689,151

Non-Bank Financial Institutions Regulatory Authority

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14. Property, plant and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	4,588,700	(3,593,873)	994,827	4,588,700	(3,229,540)	1,359,160
Motor vehicles	397,296	(99,325)	297,971	397,296	(19,865)	377,431
Office equipment	436,625	(285,379)	151,246	335,228	(264,794)	70,434
IT equipment	8,711,390	(4,382,249)	4,329,141	6,587,378	(3,743,261)	2,844,117
Leasehold improvements	125,714	(125,714)	-	125,714	(125,714)	-
Capital - Work in progress	3,457,020	-	3,457,020	916,560	-	916,560
Total	17,716,745	(8,486,540)	9,230,205	12,950,876	(7,383,174)	5,567,702

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Total
Furniture and fixtures	1,359,160	-	-	(364,333)	994,827
Motor vehicles	377,431	-	-	(79,460)	297,971
Office equipment	70,434	101,397	-	(20,585)	151,246
IT equipment	2,844,117	2,124,012	-	(638,988)	4,329,141
Capital - Work in progress	916,560	3,457,020	(916,560)	-	3,457,020
	5,567,702	5,682,429	(916,560)	(1,103,366)	9,230,205

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Revaluations	Depreciation	Total
Furniture and fixtures	1,733,532	-	-	(374,372)	1,359,160
Motor vehicles	287,528	-	181,981	(92,078)	377,431
Office equipment	71,436	9,898	-	(10,900)	70,434
IT equipment	2,572,113	868,681	-	(596,677)	2,844,117
Capital - Work in progress	-	916,560	-	-	916,560
	4,664,609	1,795,139	181,981	(1,074,027)	5,567,702

Revaluations

The Authority's motor vehicles are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed every 3 years and in intervening years if the carrying amount of the asset differs materially from their fair value.

The revaluations of the motor vehicles were performed on 31 December 2021 by independent valuers who have appropriate knowledge and experience in the market values of the vehicles.

The carrying value of the revalued assets under the cost model would have been:

Motor vehicles	1	1
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Other information

Fully depreciated property, plant and equipment still in use	2,155,847	2,155,847
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Notes to the Annual Financial Statements

Figures in Pula	2023	2022
15. Right-of-use assets		
Net carrying amounts of right-of-use assets		
The carrying amounts of right-of-use assets are included in the following line items:		
Buildings	12,383,862	11,340,110
Additions to right-of-use assets		
Buildings	4,237,456	-
Depreciation recognised on right-of-use assets		
Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss, as well as depreciation which has been capitalised to the cost of other assets.		
Buildings	3,193,704	2,958,289
Other disclosures		
Interest expense on lease liabilities	588,583	689,151
Lease liabilities		
The maturity analysis of lease liabilities is as follows:		
Within one year	4,852,939	3,207,578
Two to five years	9,643,094	10,156,112
	14,496,033	13,363,690
Less finance charges component	(1,102,710)	(1,273,208)
	13,393,323	12,090,482
Non-current liabilities	9,172,345	9,441,167
Current liabilities	4,220,978	2,649,315
	13,393,323	12,090,482

The table below describes the nature of the Authority's leasing activities by type of right of use asset recognised on balance sheet. There were no leases with variable payments linked to an index and termination option.

Right of use assets	No of right of use assets leased	Range of remaining term (months)	Average remaining lease term (months)	No of leases with extension options	No of leases with option to purchase
Building	2	68	68	1	-

Non-Bank Financial Institutions Regulatory Authority

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16. Intangible assets

	2023			2022		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Barn Owl	716,761	(83,622)	633,139	-	-	-

Reconciliation of intangible assets - 2023

	Opening balance	Transfers	Amortisation	Total
Barn Owl	-	716,761	(83,622)	633,139

17. Trade and other receivables

Financial instruments:

Trade receivables	2,477,115	4,005,415
Loss allowance	(2,334,039)	(3,486,684)
Trade receivables at amortised cost	143,076	518,731
Deposits	320,764	224,209
Employees salary advance	34,667	-
Prepayments	1,871,034	1,812,666
Total trade and other receivables	2,369,541	2,555,606

Split between non-current and current portions

Current assets	2,369,541	2,555,606
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Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial instruments.

At amortised cost	2,369,541	2,555,606
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Non-Bank Financial Institutions Regulatory Authority

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17. Trade and other receivables (continued)

Exposure to credit risk

Trade receivables inherently expose the Authority to credit risk, being the risk that the Authority will incur financial loss if customers fail to make payments as they fall due.

In order to mitigate the risk of financial loss from defaults, the Authority only deals with reputable customers with consistent payment histories. Sufficient collateral or guarantees are also obtained when appropriate. Each customer is analysed individually for creditworthiness before terms and conditions are offered. Statistical credit scoring models are used to analyse customers. These models make use of information submitted by the customers as well as external bureau data (where available). Customer credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of customers, is continuously monitored.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period.

Trade receivables arise from supervisory levies. The customer base is large and widespread, with a result that there is no specific significant concentration of credit risk from these trade receivables.

A loss allowance is recognised for all trade receivables, in accordance with IFRS 9 Financial Instruments, and is monitored at the end of each reporting period. In addition to the loss allowance, trade receivables are written off when there is no reasonable expectation of recovery, for example, when a debtor has been placed under liquidation. Trade receivables which have been written off are not subject to enforcement activities.

The Authority measures the loss allowance for trade receivables by applying the simplified approach which is prescribed by IFRS 9. In accordance with this approach, the loss allowance on trade receivables is determined as the lifetime expected credit losses on trade receivables. These lifetime expected credit losses are estimated using a provision matrix, which is presented below. The provision matrix has been developed by making use of past default experience of debtors but also incorporates forward looking information and general economic conditions of the industry as at the reporting date.

The Authority's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2023	2023	2022	2022
	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)	Estimated gross carrying amount at default	Loss allowance (Lifetime expected credit loss)
Expected credit loss rate:				
Less than 30 days past due: 0%	14,211	-	-	-
31 - 60 days past due: 0%	-	-	39,107	-
61 - 90 days past due: 87.08% (2022:46.13%)	804,777	(700,838)	844,034	(389,338)
More than 90 days past due: 98.50% (2022:99.20%)	1,658,127	(1,633,201)	3,122,274	(3,097,346)
Total	2,477,115	(2,334,039)	4,005,415	(3,486,684)

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17. Trade and other receivables (continued)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade receivables:

Opening balance	(3,486,684)	(4,660,733)
Recoveries during the year	1,258,013	1,393,539
Write offs	1,796,919	1,377,270
Provision raised on new trade receivables	(1,902,287)	(1,596,760)
Closing balance	(2,334,039)	(3,486,684)

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

18. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,393	1,294
Bank balances	57,509,280	43,971,421
	57,510,673	43,972,715

The cash and cash equivalents are earning interest at the floating rate based on a daily bank deposit rates. The Regulatory Authority has maintained separate gratuity account to ring-fence the post employment benefits relating to gratuity. Furthermore a separate Supervisory Levies Account is maintained from that of the Government Subvention Account.

Credit quality of cash at bank excluding cash on hand

The credit quality of cash at bank, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates. Commercial Banks in Botswana are not rated, however, these financial institutions are subsidiaries of rated banks in South Africa.

19. Government grants

Opening balance	8,702,233	8,897,681
Received during the year	2,942,169	878,579
Amortisation of government grants	(1,186,988)	(1,074,027)
	10,457,414	8,702,233

20. Trade and other payables

Financial instruments:

Trade payables	7,577,918	3,052,839
Other payables	799,842	534,212
	8,377,760	3,587,051

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

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21. Short-term employee benefits

Reconciliation of short-term employee benefits - 2023

	Opening balance	Additions	Utilised during the year	Total
Gratuity accruals	2,217,401	1,583,025	(3,017,054)	783,372
Leave accruals	4,206,887	1,549,498	(1,157,226)	4,599,159
	6,424,288	3,132,523	(4,174,280)	5,382,531

Reconciliation of short-term employee benefits - 2022

	Opening balance	Additions	Utilised during the year	Total
Gratuity accruals	1,584,761	976,202	(343,562)	2,217,401
Leave accruals	4,255,003	406,730	(454,846)	4,206,887
	5,839,764	1,382,932	(798,408)	6,424,288

22. Cash generated from operations

Surplus before taxation	11,884,312	14,652,285
Adjustments for:		
Depreciation and amortisation	4,380,692	4,032,316
Interest income	(3,004,313)	(1,132,438)
Finance costs	588,583	689,151
Net Impairments and movements in credit loss allowances	1,902,287	1,596,760
Movements in short-term employee benefits	(1,041,757)	584,524
Transfer from capital work in progress to consultancy fees	199,799	-
Amortisation of government grants	(1,186,988)	(1,074,027)
Changes in working capital:		
Trade and other receivables	(1,716,221)	(2,813,581)
Trade and other payables	4,790,708	1,645,396
	16,797,102	18,180,386

23. Taxation

No provision for taxation is required as the Regulatory Authority is exempt from taxation in terms of the second Schedule of the Income Tax Act (Chapter 52:01).

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24. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2023

	Opening balance	Finance costs	New lease	Total repayment including interest	Total
Finance lease liabilities	12,090,482	588,583	4,237,456	(3,523,198)	13,393,323
Total	12,090,482	588,583	4,237,456	(3,523,198)	13,393,323

Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Finance costs	Total repayment including interest	Total
Finance lease liabilities	14,427,349	689,159	(3,026,026)	12,090,482
Total	14,427,349	689,159	(3,026,026)	12,090,482

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25. Related parties

Relationships

The Regulatory Authority was set up by the Non-Bank Financial Institutions Regulatory Authority Act, 2016 and is therefore related to the Government of the Republic of Botswana. Transactions with related parties are in the normal course of business. The following transactions were carried out with related parties.

Members of key management

Mr. O.A.Motshidisi
Mr. M.Segage (Tenure ended on 3rd September 2022)
Mr. M.Rampha
Ms. N.Modongo
Ms. M.Raphaka
Mr. P.Sesinyi (Acting Director)
Ms. D.Makepe
Ms. J.White
Mr. M.Bale
Ms. G.Masike
Mr. D.Dumedisang
Mr. O.Tshoswane
Mr. W.Bungile
Ms. G.Seromelo
Ms. B.Ntebele
Ms. C.Monageng
Dr. K.Mmolainyane
Mr. L.Moeng (Acting Head)
Mr.K Radira

Related party transactions

Grant received

Government of Republic of Botswana	7,775,000	12,527,805
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Board costs

Board allowances and other costs	629,846	235,937
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Compensation to directors and other key management

Short-term employee benefits	13,779,157	14,143,252
Gratuity and pension benefits	2,036,411	2,538,585
Other benefits	1,230,605	1,645,377

17,046,173	18,327,214
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Compensation paid to key personnel of the Authority. The amounts presented comprise 19 executive staff members (2022:18 executive staff members). Two of the members were on acting appointments.

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26. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	17	2,369,541	2,369,541	2,369,541
Cash and cash equivalents	18	57,510,673	57,510,673	57,510,673
		59,880,214	59,880,214	59,880,214

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	17	2,555,606	2,555,606	2,555,606
Cash and cash equivalents	18	43,972,715	43,972,715	43,972,715
		46,528,321	46,528,321	46,528,321

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	20	8,377,759	8,377,759	8,377,759
Lease liabilities	15	13,393,323	13,393,323	13,393,323
		21,771,082	21,771,082	21,771,082

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	20	3,587,051	3,587,051	3,587,051
Lease liabilities	15	12,090,483	12,090,483	12,090,483
		15,677,534	15,677,534	15,677,534

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26. Financial instruments and risk management (continued)

Risk management

Capital includes all funds and reserves as per the face of the statement of financial position. The Authority's objective when managing funds are to safeguard its ability to continue as a going concern in order to perform the mandate for which it was created for. Management is of the view that these objective are being met. During 2023, the Authority did not have borrowings. The Regulatory Authority is supported by the licensed Non-Bank Financial Institutions and the Government of the Republic of Botswana, currently the necessary support is provided to sustain the operations of the Regulatory Authority. The NBFIRA Act stipulates that an annual estimate of the Regulatory Authority's expenditure for a financial year shall include provision for a Statutory Reserve of not more than 10% of the total expenditure provided in the estimate.

Based on the regulatory Authority Act the current statutory reserve is adequate and in line with the provisions of the Act.

Financial risk management

Credit risk

The Regulatory Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is the risk that the regulated and supervised Non-Bank Financial Institutions and other counter parties will not be able or willing to pay or fulfil their obligations in accordance with Non-Bank Financial Institutions Regulatory Authority Act. The Authority uses reputable financial institutions for investing purposes.

All cash and cash equivalents are placed with financial institutions registered in Botswana.

The maximum exposure to credit risk is represented by the carrying amount of accounts receivable and cash and cash equivalents, as shown in the statement of financial position.

Concentration of credit

The Regulatory Authority is currently funded by the Government of Botswana and the regulated entities through Supervisory Levies and License Fees. The Regulatory Authority's credit risk is primarily attributable to its cash and cash equivalents, and receivable from regulated entities. Financial assets that potentially subject the Board to concentration of credit risk consists primarily of cash and cash equivalent as well as accounts receivable. Cash and cash equivalents are placed with reputable financial institutions in the normal trading course. Expenditure and controls have been put in place to manage credit risk. The Regulatory Authority has no significant concentration of credit risk as its exposure is spread over a number of counterparties.

The Regulatory Authority does not have any significant credit risk exposure to any single counterparty. As at year end there was no significant credit risk, the cash position as at year end was P 57 510 673 (2022: P 43 972 715)

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	17	4,703,580	(2,334,039)	2,369,541	6,042,290	(3,486,684)	2,555,606
Cash and cash equivalents	18	57,510,673	-	57,510,673	43,972,715	-	43,972,715
		62,214,253	(2,334,039)	59,880,214	50,015,005	(3,486,684)	46,528,321

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26. Financial instruments and risk management (continued)

Liquidity risk

The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring losses or risking damage to the Regulatory Authority's reputation. The ultimate responsibility for liquidity risk management procedures for the management of the Regulatory Authority's funding and liquidity management requirements.

The Regulatory Authority manages liquidity risk by maintaining adequate cash and cash equivalents to settle liabilities when they become due, by continuously monitoring forecasts actual cash flows, and by matching the Government Subvention to the maturity profile of the financial liabilities.

The following table summarises the maturity profile of the Regulatory Authority's financial liabilities as at 31 March 2023 based on contractual undiscounted payments:

2023

	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities				
Lease liabilities	-	9,172,345	9,172,345	9,172,345
Current liabilities				
Trade and other payables	-	-	-	8,377,759
Lease liabilities	4,220,978	-	4,220,978	4,220,978
	4,220,978	9,172,345	13,393,323	21,771,082

2022

	Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities				
Lease liabilities	-	9,441,167	9,441,167	9,441,167
Current liabilities				
Trade and other payables	20 3,587,051	-	3,587,051	3,587,051
Lease liabilities	2,649,315	-	2,649,315	2,649,315
	6,236,366	9,441,167	15,677,533	15,677,533

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26. Financial instruments and risk management (continued)

Interest rate risk

Financial instruments that are sensitive to interest rate risk are bank balances and cash (refer to note 12). Interest rates applicable to these financial instruments compare favourably with those currently available in the market. The following table demonstrates the sensitivity to a reasonable possible change in interest rates at reporting date, with all other variables held constant, of the Regulatory Authority's (deficit)/surplus for the year (through the impact on floating rate financial instruments), funds and reserves at reporting date. The reasonable possible change is based on past trends of interest and expected future changes. The impact was calculated by applying the reasonable changes to the exposures at reporting date, and with reference to the next 12 months. There is no other direct impact on the Regulatory Authority's funds and reserves.

Increase of 0.1% in interest rate	44,442	36,515
Decrease of 0.1% in interest rate	(44,442)	(36,515)
	-	-

27. Events after the reporting period

Directors are not aware of any material events occurring between the year-end date and the date of approval of the financial statements, which require disclosure.

Non-Bank Financial Institutions Regulatory Authority

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Detailed Income Statement

Figures in Pula	Note	2023	2022
Revenue			
Government grants		4,832,830	11,649,226
Supervisory levies		85,699,270	75,759,020
Total revenue		90,532,100	87,408,246
Other operating income			
Other income		1,186,988	1,074,027
	4	1,186,988	1,074,027
Other operating gains (losses)			
Other operating income		6,401,573	4,801,865
	5	6,401,573	4,801,865
Movement in credit loss allowances	7	(1,902,287)	(1,596,760)
Expenses (Refer to page 40)		(86,749,793)	(77,478,380)
Operating surplus		9,468,581	14,208,998
Finance income	12	3,004,313	1,132,438
Finance costs	13	(588,583)	(689,151)
Surplus for the year		11,884,311	14,652,285