

Non-Bank Financial Institutions Regulatory Authority
Annual Financial Statements
for the year ended 31 March 2022

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

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. Lephole Ms. P. Masalela Dr. L. S. Senatla Mr. K. Olebile (Tenure ended on 30 September 2021) Ms. I. M. Ramalohanye Ms. H. D. Hlanti Mr. K. Gaamangwe (Tenure commenced on 01 November 2021)
Chief Executive Officer	Mr. O. A. Motshidisi
Registered office	3rd Floor Exponential Building Plot 54351 Central Business District Off P G 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 2022

Contents

	Page
Board Responsibilities and Approval of the Annual Financial Statements	3
Independent Auditor's Report	4 - 7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Funds	10
Statement of Cash Flows	11
Accounting Policies	12 - 20
Notes to the Annual Financial Statements	21 - 34
The following supplementary information does not form part of the annual financial statements and is unaudited:	
Detailed Income Statement	35 - 36

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

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 sets 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 2023 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 34 and the supplementary information on pages 35 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 01/09/2022 and were signed on their behalf by:

Approval of financial statements



Director



Director

Gaborone

Independent Auditors report

31 March 2022

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 9 to 35, which comprise the statement of financial position as at 31 March 2022, 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 of 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Non-Bank Financial Institutions Regulatory Authority Act, 2016.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the 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 annual 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.

Emphasis of matter

We draw attention to Note 26 to the annual financial statements which indicates the effects of COVID 19 on the operations of the Authority. Our opinion is not modified in respect of this matter.

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, 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 and Government grants which are a significant portion of the total revenue received. For the year ended 31 March 2022 the Supervisory levies constituted 81.2% of the total revenue received by the Authority.</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 2022, the Authority had net trade receivables of P 518, 731 after recognising a total impairment allowance of P 3, 486, 684 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 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. Disclosures with respect to impairment is disclosed in: Note 1: Accounting policy and Note 16: 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 a sample basis, the data utilised in the impairment model as at 31 March 2022, 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 as gained through our audit. <p>In conclusion we considered the judgements applied on the valuation of trade receivables applying the IFRS 9 model and related financial statements disclosures to be appropriate.</p>

Independent Auditor's Report

Other information

The directors of the Authority are responsible for the other information. The other information comprises the Detailed income statement set out on pages 36 to 37 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, 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 of the Authority 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 of the Authority 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 skepticism 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 of the Authority.
- Conclude on the appropriateness of the directors of the Authority' 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

Independent Auditor's Report

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 of the Authority 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 the auditor's knowledge and belief, were necessary for the performance of the auditor's duties.
- The accounts 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: CAP0037 2022

Date: 15/09/2022
Gaborone

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2022

Figures in Pula	Note	2022	2021
Government grants	3	11,649,226	11,633,117
Amortisation of governments grants	4	1,074,027	3,660,372
Other operating income	5	4,801,865	6,676,634
Supervisory levies	6	75,759,020	67,314,982
Total revenue		93,284,138	89,285,105
Movement in credit loss allowances	7	(1,596,760)	(1,836,975)
Staff costs	8	(57,539,930)	(58,171,793)
Consultancy costs	9	(2,457,609)	(526,516)
Administrative expenses	10	(8,249,348)	(11,315,761)
Other operating expenses	11	(9,231,493)	(10,110,252)
Total operating expenses		(79,075,140)	(81,961,297)
Operating surplus		14,208,998	7,323,808
Finance income	12	1,132,438	848,860
Finance costs	13	(689,151)	(207,140)
Total operating surplus		14,652,285	7,965,528
Other comprehensive income:			
Gains on property revaluation		181,980	-
Other comprehensive income for the year		181,980	-
Total comprehensive income for the year		14,834,265	7,965,528

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

Figures in Pula	Note	2022	2021
Assets			
Non-Current Assets			
Property, plant and equipment	14	5,567,702	4,664,609
Right-of-use assets	15	11,340,110	14,298,399
		16,907,812	18,963,008
Current Assets			
Trade and other receivables	16	2,555,606	1,338,785
Cash and cash equivalents	17	43,972,715	28,602,469
		46,528,321	29,941,254
Total Assets		63,436,133	48,904,262
Funds and liabilities			
Funds			
Revaluation reserve		624,775	442,795
Reserves		6,021,540	6,921,540
Accumulated surplus		25,985,765	10,433,478
		32,632,080	17,797,813
Liabilities			
Non-Current Liabilities			
Lease liabilities	15	9,441,167	12,090,483
Governments grants	18	8,702,232	8,897,681
		18,143,399	20,988,164
Current Liabilities			
Trade and other payables	19	3,587,051	1,941,655
Lease liabilities	15	2,649,315	2,336,866
Short-term employee benefits	20	6,424,288	5,839,764
		12,660,654	10,118,285
Total Liabilities		30,804,053	31,106,449
Total Funds and Liabilities		63,436,133	48,904,262

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Funds for the year ended 31 March 2022

Figures in Pula	Revaluation reserve	Statutory Reserve	Accumulated surplus	Total Funds
Balance at 01 April 2020	442,795	2,830,792	6,558,698	9,832,285
Surplus for the year	-	-	7,965,528	7,965,528
Other comprehensive income	-	-	-	-
Surplus for the year	-	-	7,965,528	7,965,528
Transfer between reserves	-	4,090,748	(4,090,748)	-
Total changes recognised directly in Statement of Funds	-	4,090,748	(4,090,748)	-
Balance at 31 March 2021	442,795	6,921,540	10,433,478	17,797,813
Balance at 01 April 2021	442,795	6,921,540	10,433,480	17,797,815
Surplus for the year	-	-	14,652,285	14,652,285
Other comprehensive income	181,980	-	-	181,980
Surplus for the year	181,980	-	14,652,285	14,834,265
Transfer between reserves	-	(900,000)	900,000	-
Total changes recognised directly in Statement of Funds	-	(900,000)	900,000	-
Balance at 31 March 2022	624,775	6,021,540	25,985,765	32,632,080

Statutory Reserve

Section 23 (2) of the Non-Bank Financial Institutions Regulatory Act, 2016, requires that an annual estimate not exceeding 10 per cent (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 the Non-Bank Financial Institutions Regulatory Act, 2016.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Statement of Cash Flows for the year ended 31 March 2022

Figures in Pula	Note	2022	2021
Cash flows from operating activities			
Cash generated from operations	22	18,180,386	10,733,733
Finance costs		(689,151)	(207,140)
Net cash from operating activities		17,491,235	10,526,593
Cash flows from investing activities			
Purchase of Property, plant and equipment	14	(1,795,139)	(1,623,110)
Sale of Property, plant and equipment	14	-	44,407
Interest Income		1,132,438	848,860
Net cash from investing activities		(662,701)	(729,843)
Cash flows from financing activities			
Government grants		878,579	1,578,703
Payment on lease liabilities	23	(2,336,867)	(3,157,951)
Net cash from financing activities		(1,458,288)	(1,579,248)
Total cash and cash equivalents movement for the year		15,370,246	8,217,502
Cash and cash equivalents at the beginning of the year		28,602,469	20,384,967
Total cash and cash equivalents at end of the year	17	43,972,715	28,602,469

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

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

1.2 Significant judgements and sources of estimation uncertainty

The preparation of 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 adjustment 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 reflects 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.

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 the information available.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.3 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

1.4 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.

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.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.4 Property, plant and equipment (continued)

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

1.5 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.

1.6 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.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.6 Revenue from regulated entities (continued)

The Supervisory levies

The supervisory levies and licence fees were promulgated into law through Statutory Instrument No.60 of 2020 of the Republic of Botswana, which was published in the Government Gazette of the 9th July 2021. 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.

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.

1.7 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 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.

1.8 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 2022

Accounting Policies

1.9 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.

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.

1.10 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.

1.11 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 25 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:

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.11 Financial instruments (continued)

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 16).

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.

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 16.

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 16) and the financial instruments and risk management note (Note 25).

Derecognition

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

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.11 Financial instruments (continued)

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 19), 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.

Trade and other payables expose the Authority to liquidity risk and possibly to interest rate risk. Refer to note 25 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.

1.12 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.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.13 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.

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:

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.13 Leases (continued)

- 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;
- 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.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4

An insurer applying the temporary exemption from IFRS 9 shall apply the new requirements of IFRS 9 concerning situations where a change in the basis for determining the contractual cash flows of a financial asset or financial liability is required by interest rate benchmark reform.

The effective date of the authority is for years beginning on or after 01 January 2021.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7

The amendment sets out additional disclosure requirements related to interest rate benchmark reform.

The effective date of the authority is for years beginning on or after 01 January 2021.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9

When there is a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform then the entity is required to apply paragraph B5.4.5 as a practical expedient. This expedient is only available for such changes in basis of determining contractual cash flows.

Additional temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of risk components have been added to hedge relationships specifically impacted by interest rate benchmark reform.

The effective date of the authority is for years beginning on or after 01 January 2021.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16

If there is a lease modification as a result of the interest rate benchmark reform, then as a practical expedient the lessee is required to apply paragraph 42 of IFRS 16 to account for the changes by remeasuring the lease liability to reflect the revised lease payment. The amendment only applies to modifications as a result of the interest rate benchmark reform.

The effective date of the authority is for years beginning on or after 01 January 2021.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39

Temporary exemptions from applying specific hedge accounting requirements as well as additional rules for accounting for qualifying hedging relationships and the designation of financial items as hedged items have been added to hedge relationships specifically impacted by interest rate benchmark reform.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

The effective date of the authority is for years beginning on or after 01 January 2021.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

COVID-19 - Related Rent Concessions - Amendment to IFRS 16

The COVID-19 pandemic has resulted in an amendment to IFRS 16 Leases. Lessees may elect not to assess whether a rent concession that meets the conditions in paragraph 46B is a lease modification. If this election is applied, then any change in lease payments must be accounted for in the same way as a change would be accounted for if it were not a lease modification. This practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payment affects only payments originally due on or before 30 June 2021 and
- there is no substantive change to other terms and conditions of the lease.

The effective date of the amendment is for years beginning on or after 01 June 2020.

The authority has adopted the amendment for the first time in the 2022 annual financial statements.

The impact of the amendment is not material.

2.2 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 2022 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula	2022	2021
3. Government Grants		
Revenue grants	11,649,226	11,633,117
The total grant received from the government are as follows:		
Revenue grants	11,649,226	11,633,117
Capital grants	878,579	1,578,703
	12,527,805	13,211,820
4. Amortisation of governments grants		
Amortisation of property, plant and equipment	1,074,027	533,913
Amortisation of intangible assets	-	3,126,459
	1,074,027	3,660,372
5. Other operating income		
Gains on disposals, scrappings and settlements		
Property, plant and equipment	14	-
Interest and penalties, registration and renewals		44,407
Other income		6,055,639
		1,965,109
		550,946
	4,801,865	6,650,992
Foreign exchange gains		
Net foreign exchange gains		-
		25,642
Total other operating gains	4,801,865	6,676,634
6. Supervisory levies		
Supervisory levies - Capital Markets	242,124	80,708
Supervisory levies - Lending	35,002,307	31,179,953
Supervisory levies - Finance and leasing companies	2,518,040	1,917,348
Supervisory levies - Insurance	14,063,272	13,090,069
Supervisory levies - Retirement fund and investment institutions	21,131,692	18,346,285
Supervisory levies - Medical Aid	2,801,585	2,700,619
	75,759,020	67,314,982
7. Movement in credit loss allowances		
Trade and other receivables	1,596,760	1,836,975
8. Staff costs		
Employee costs		
Basic salaries	32,650,208	32,621,463
Allowances	18,297,336	18,908,255
Defined contribution plan expense	6,592,386	6,642,075
	57,539,930	58,171,793
9. Consultancy costs		
Other consultancy costs	2,457,609	526,516

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula	2022	2021
10. Administrative expenses		
Advertising	557,610	668,651
Audit fees	268,943	115,139
Administrative fees	183,996	183,624
Bank charges	44,778	40,427
Depreciation	4,032,316	3,543,694
Amortisation of RBSS and ERP	-	3,126,459
Insurance	428,688	421,884
Motor vehicle expenses	33,349	20,072
Office expenses	122,349	380,462
Printing and stationery	611,694	437,516
Recruitment	174,160	412,863
Telephone and fax	764,101	855,963
Travel	59,918	-
Staff costs	366,050	508,944
Utilities	601,396	600,063
	8,249,348	11,315,761
11. Other expenses		
Board costs	235,937	275,134
Branding and communications	635,531	807,765
Cleaning	228,088	196,426
Internet	828,210	842,425
Legal fees	2,031,916	1,143,406
Repairs and maintenance	254,787	601,390
License fees	3,327,454	3,281,609
Security	133,269	120,630
Subscriptions	618,014	1,043,279
Strategy expenses	22,780	639,072
Training	915,507	1,159,116
	9,231,493	10,110,252
12. Finance income		
Interest income		
Investments in financial assets:		
Bank	1,132,438	848,860
13. Finance costs		
Interest expense for leasing arrangements	689,151	207,140

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula 2022 2021

14. Property, plant and equipment

	2022			2021		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Leasehold property	125,714	(125,714)	-	125,714	(125,714)	-
Furniture and fixtures	4,588,700	(3,229,540)	1,359,160	4,588,700	(2,855,168)	1,733,532
Motor vehicles	397,296	(19,865)	377,431	522,783	(235,255)	287,528
Office equipment	335,228	(264,794)	70,434	325,330	(253,894)	71,436
IT equipment	6,587,378	(3,743,261)	2,844,117	5,718,697	(3,146,584)	2,572,113
Capital - Work in progress	916,560	-	916,560	-	-	-
Total	12,950,876	(7,383,174)	5,567,702	11,281,224	(6,616,615)	4,664,609

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

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1,911,159	44,407	(224,034)	1,733,532
Motor vehicles	289,950	-	(2,422)	287,528
Office equipment	2,537	74,494	(5,595)	71,436
IT equipment	1,391,438	1,504,209	(323,534)	2,572,113
	3,595,084	1,623,110	(553,585)	4,664,609

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
----------------	---	---

Other information

Fully depreciated property, plant and equipment still in use	2,155,847	1,178,079
--	-----------	-----------

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula

	2022	2021
--	------	------

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	11,340,110	14,298,399
-----------	------------	------------

Additions to right-of-use assets

Buildings	-	14,791,447
-----------	---	------------

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	2,958,289	2,990,109
-----------	-----------	-----------

Other disclosures

Interest expense on lease liabilities	689,151	207,140
---------------------------------------	---------	---------

Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	3,207,578	3,026,017
Two to five years	10,156,112	13,363,691
	13,363,690	16,389,708
Less finance charges component	(1,273,208)	(1,962,359)
	12,090,482	14,427,349

Non-current liabilities	9,441,167	12,090,483
Current liabilities	2,649,315	2,336,866

	12,090,482	14,427,349
--	-------------------	-------------------

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	Average remaining lease term	No of leases with extension options	No of leases with option to purchase
Building	1	46 months	46 months	1	0

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula	2022	2021
16. Trade and other receivables		
Financial instruments:		
Trade receivables	4,005,415	5,343,262
Loss allowance	(3,486,684)	(4,660,733)
Trade receivables at amortised cost	518,731	682,529
Deposits	224,209	224,209
Other receivable	1,812,666	432,047
Total trade and other receivables	2,555,606	1,338,785
Split between non-current and current portions		
Current assets	2,555,606	1,338,785
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:		
At amortised cost	2,555,606	1,338,785

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:

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula

2022 2021

16. Trade and other receivables (continued)

	2022	2022	2021	2021
	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:				
31 - 60 days past due: 0%	39,107	-	-	-
61 - 90 days past due: 46.13%	844,034	(389,338)	-	-
More than 120 days past due: 99.20% (2021: 87.23%)	3,122,274	(3,097,346)	5,343,262	(4,660,733)
Total	4,005,415	(3,486,684)	5,343,262	(4,660,733)

Reconciliation of loss allowances

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

Opening balance	(4,660,733)	(2,891,867)
Recoveries during the year	1,393,539	-
Write offs	1,377,270	-
Provision raised on new trade receivables	(1,596,760)	(1,768,866)
Closing balance	(3,486,684)	(4,660,733)

Fair value of trade and other receivables

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

17. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1,294	3,281
Bank balances	43,971,421	28,599,188
	43,972,715	28,602,469

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 bank in South Africa.

18. Governments grants

Opening balance	8,897,681	10,723,898
Received during the year	878,579	1,623,110
Amortisation of government grants	(1,074,027)	(3,660,372)
	8,702,233	8,686,636

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula

2022

2021

19. Trade and other payables

Financial instruments:

Trade payables	3,052,839	1,449,393
Other payables	534,212	492,262
	3,587,051	1,941,655

Fair value of trade and other payables

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

20. Short-term employee benefits

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

Reconciliation of short-term employee benefits - 2021

	Opening balance	Additions	Utilised during the year	Total
Gratuity accruals	1,091,727	1,010,867	(517,833)	1,584,761
Leave accruals	3,190,988	1,378,622	(314,607)	4,255,003
	4,282,715	2,389,489	(832,440)	5,839,764

21. 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).

22. Cash generated from operations

Surplus before taxation	14,652,285	7,965,528
Adjustments for:		
Depreciation and amortisation	4,032,316	6,670,153
Loss on disposals	-	(44,407)
Interest income	(1,132,438)	(848,860)
Finance costs	689,151	207,140
Net impairments and movements in credit loss allowances	1,596,760	1,836,975
Movements in short-term employee benefits	584,524	1,557,049
Amortisation of government grants	(1,074,027)	(3,660,372)
Changes in working capital:		
Trade and other receivables	(2,813,581)	(2,880,100)
Trade and other payables	1,645,396	(69,373)
	18,180,386	10,733,733

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula 2022 2021

23. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2022

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

Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Finance costs	New leases	Total repayment including interest	Closing balance
Finance lease liabilities	2,793,855	207,140	14,791,445	(3,365,091)	14,427,349
Total liabilities from financing activities	2,793,855	207,140	14,791,445	(3,365,091)	14,427,349

24. 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 transaction were carried out with related parties Members of key management

Members of key management

Mr Segage
 Mr Gade (Deceased on 09 March 2022)
 Ms Seromelo
 Ms Modisa (Tenure ended on 31 December 2021)
 Ms Masike
 Ms Makepe
 Mr Dumedisang
 Mr Rampha
 Ms Modongo
 Ms White
 Ms Raphaka
 Ms Soko (Tenure ended on 31 March 2022)
 Ms Mongati
 Ms Ntebele
 Mr Bungile
 Mr Motshidisi
 Ms Monageng
 Mr Sesinyi (Acting Director)

Related party transactions

Grant received

Government of the Republic of Botswana 12,527,805 13,211,820

Compensation to directors and other key management

Short term employee benefits	14,143,252	13,984,894
Gratuity and pension	2,538,585	2,473,295
Other benefits	1,645,377	1,302,323
	18,327,214	17,760,512

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula

2022

2021

24. Related parties (continued)

Compensation paid to key personnel of the Authority. The amounts presented comprise 18 executive staff members (2021: 18 executive staff members). One of the members was on acting appointments.

25. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	16	2,555,606	2,555,606	2,555,606
Cash and cash equivalents	17	43,972,715	43,972,715	43,972,715
		46,528,321	46,528,321	46,528,321

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	16	1,338,785	1,338,785	1,338,785
Cash and cash equivalents	17	28,602,469	28,602,469	28,602,469
		29,941,254	29,941,254	29,941,254

Categories of financial liabilities

2022

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	19	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

2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	19	1,941,654	1,941,654	1,941,654
Lease liabilities	15	14,427,349	14,427,349	14,427,349
		16,369,003	16,369,003	16,369,003

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula 2022 2021

25. 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 2022, 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 43 972 715 (2021: P 28 602 469)

		2022			2021		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	16	6,042,290	(3,486,684)	2,555,606	5,999,518	(4,660,733)	1,338,785
Cash and cash equivalents	17	43,972,715	-	43,972,715	28,602,469	-	28,602,469
		50,015,005	(3,486,684)	46,528,321	34,601,987	(4,660,733)	29,941,254

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.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

Figures in Pula 2022 2021

25. Financial instruments and risk management (continued)

The following table summarises the maturity profile of the Regulatory Authority's financial liabilities as at 31 March 2022 based on contractual undiscounted payments:

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	3,465,336	-	3,465,336	3,465,336
Lease liabilities	2,649,315	-	2,649,315	2,649,315
	6,114,651	9,441,167	15,555,818	15,555,818

2021

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities		-	12,090,483	12,090,483	12,090,483
Current liabilities					
Trade and other payables	19	1,941,654	-	1,941,654	1,941,654
Lease liabilities		2,336,866	-	2,336,866	2,336,866
		4,278,520	12,090,483	16,369,003	16,369,003

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	36,515	34,001
Decrease of 0.1% in interest rate	(36,515)	(34,001)
	-	-

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

26. Going concern

Coronavirus 2019 (Covid-19) Impact Assessment

The management and board of directors are of the view that COVID-19 does not create a material uncertainty related to such events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. Based on cash flow forecasts prepared, the Authority has adequate financial support to meet its obligations as these arise in the ordinary course of business. It is expected that, although COVID-19 might have some impact on future results, the impact is not expected to be material. Accordingly, the financial statements have been prepared on a going concern basis.

27. Events after the reporting period

On 24 February 2022, Russia announced a "special military operation" against Ukraine, which has resulted in the on-going conflict between the two countries. The on-going conflict has seen various economic sanctions being imposed on Russia by the United States of America, European Union and other countries. Russia is a key player in world economics and the conflict poses a substantial economic risk for most countries, including Botswana. The conflict and economic sanctions against Russia do not have an impact on the 31 March 2022 financial statements and are considered a non-adjusting event. Subsequent to the year end, due to the war, the country is witnessing increase in price of commodities caused mainly by increase in oil prices and cost of transport. These increasing cost also affects the GDP growth due to inflation.

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Detailed Income Statement

Figures in Pula	Note	2022	2021
Revenue			
Government grants		11,649,226	11,633,117
Supervisory levies			
		75,759,020	67,314,982
Total revenue		87,408,246	78,948,099
Other operating income			
Other income		1,074,027	533,913
Amortisation of Capital Grants		-	3,126,459
	4	1,074,027	3,660,372
Other operating gains (losses)			
Other operating income		4,801,865	6,650,992
Foreign exchange gains		-	25,642
	5	4,801,865	6,676,634
Movement in credit loss allowances	7	(1,596,760)	(1,836,975)
Expenses (Refer to page 36)		(77,478,380)	(80,124,322)
Operating surplus	7	14,208,998	7,323,808
Finance income	12	1,132,438	848,860
Finance costs	13	(689,151)	(207,140)
Surplus for the year		14,652,285	7,965,528

Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2022

Detailed Income Statement

Figures in Pula	2022	2021
Other operating expenses		
Administrative fees	(183,996)	(183,624)
Advertising	(557,610)	(668,651)
Amortisation	-	(3,126,459)
Auditors remuneration	(268,943)	(115,139)
Bank charges	(44,778)	(40,427)
Board fees	(235,937)	(275,134)
Branding and communications	(635,531)	(807,765)
Cleaning	(228,088)	(196,426)
Consulting and professional fees	(2,457,609)	(526,516)
Depreciation	(4,032,316)	(3,543,694)
Employee costs	(57,539,930)	(58,171,793)
Insurance	(428,688)	(421,884)
Internet	(828,210)	(842,425)
Legal fees	(2,031,916)	(1,143,406)
License fees	(3,327,454)	(3,281,609)
Motor vehicle expenses	(33,349)	(20,072)
Office expenses	(122,349)	(380,462)
Printing and stationery	(611,694)	(437,516)
Recruitment	(174,160)	(412,863)
Repairs and maintenance	(254,787)	(601,390)
Security	(133,269)	(120,630)
Staff costs	(366,050)	(508,944)
Strategy expenses	(22,780)	(639,072)
Subscriptions	(618,014)	(1,043,279)
Telephone and fax	(764,101)	(855,963)
Training	(915,507)	(1,159,116)
Travel	(59,918)	-
Utilities	(601,396)	(600,063)
	(77,478,380)	(80,124,322)