

**Non-Bank Financial Institutions Regulatory Authority  
Annual Financial Statements  
for the year ended 31 March 2021**

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## General Information

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<b>Country of domicile</b>	Botswana
<b>Nature of operations and principal activities</b>	Safeguard the fairness, stability and efficiency of the non-bank financial sector.
<b>Directors</b>	Ms. M. V. Kabomo (Chairperson) Ms. L. T. Tema (Tenure ended on 17 October 2020) Ms. L. Lephole (Tenure commenced on 01 August 2020) Ms. P. Masalela Dr. L. S. Senatla Mr. K. Olebile Ms. I. M. Ramalohanye Ms. H. D. Hlanti
<b>Chief Executive Officer</b>	Mr. O. A. Motshidisi (Tenure commenced on 01 September 2020)
<b>Registered office</b>	3rd Floor Exponential Building Plot 54351 Central Business District Off P G Matante Gaborone
<b>Business address</b>	Plot 54351 Central Business District Off PG Matante Gaborone Botswana
<b>Bankers</b>	Stanbic Bank of Botswana Limited
<b>Auditors</b>	Grant Thornton Chartered Accountants A Botswana Member of Grant Thornton International Ltd
<b>Functional currency</b>	Botswana Pula "BWP"

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Board Responsibilities and Approval of the Annual Financial Statements

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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 2022 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.

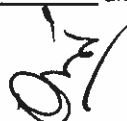
The external auditors are responsible for independently auditing and reporting on the Authority's annual financial statements. The annual financial statements have been examined by the Authority's external auditors and their report is presented on pages 4 to 7

The annual financial statements set out on pages 9 to 37, which have been prepared on the going concern basis, were approved by the board of directors on 26 AUG 2021 and were signed on their behalf by:

Approval of financial statements



Director



Director

Gaborone

## Independent Auditor's Report

### Other information

The directors are responsible for the other information. The other information comprises the general information and Statement of Director Responsibility, which we obtained prior to the date of this auditor's report, and other sections of the annual report, which are expected to be made available to us after that date. 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 for the Annual Financial Statements

The directors 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.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### 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.

## Independent Auditor's Report

- 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### 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 with which it 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 financial affairs of the Regulatory Authority.

GRANT THORNTON

Chartered Accountants

Certified Auditor: Sunny Mulakulam (Memb No:20050097)

Certified Auditor of Public Interest Entity

Certificate Number: CAP 0034 2021

06 SEP 2021  
Gaborone

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**Chartered Accountants****Grant Thornton**

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[twitter.com/GrantThorntonBW](https://twitter.com/GrantThorntonBW)

## Independent Auditor's Report

To the members of Non-Bank Financial Institutions Regulatory Authority

### Opinion

We have audited the accompanying annual financial statements of Non-Bank Financial Institutions Regulatory Authority set out on pages 8 to 35, which comprise the statement of financial position as at 31 March 2021, 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 give a true and fair view of, the financial position of Non-Bank Financial Institutions Regulatory Authority as at 31 March 2021, 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.

**Partners**

Kalyanaraman Vijay (Managing), Dinesh R Mallan (Deputy Managing)\*, Aswin Vaidyanathan\*, Madhavan Venkatachary\*,  
Narayanaswamy Narasimhan\*, Anthony Quashie, Sunny K Mulakulam\*, Aparna Vijay\* (\*Indian)

## Independent Auditor's Report

### 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 the report below is not intended to constitute separate opinions on those key audit matters.

Key audit matter	How the matter was addressed in our audit
<p><b>Recognition of revenue</b></p> <p>The Authority relies on Supervisory levies and Government grants to sustain its activities. The activities include those that are recurrent in nature for administrative purpose and for the remuneration of its employees.</p>	<ul style="list-style-type: none"> <li>• We have performed walkthroughs on the revenue cycle to gain an understanding of when the revenue is recognised.</li> <li>• We obtained the invoice listing from the operating system and determined that income has been appropriately recorded in the general ledger. We selected a sample of invoices raised from each category to verify that the levy has been appropriately recognised in the system and compare the details of the invoice to the information in the Authority's system.</li> <li>• We have reviewed the Authority's credit policy on receivables and assessed that appropriate provision is made on overdue accounts where the recoverability of the balances was doubtful, in line with requirements of IFRS 9, which was adopted by the Authority.</li> </ul>
<p><b>Operating expenses</b></p> <p>The operations of the Authority are supported by significant expenditure/purchases and moreover compliance with the procurement procedures has been flagged as a significant risk. Thus, the matter has been considered key to the audit</p>	<ul style="list-style-type: none"> <li>• We obtained an understanding of controls surrounding procurement and performed walk-throughs to ensure they were operating effectively during the year</li> <li>• We selected a monetary unit sample and tested the same to ensure that the disbursements were following the Authority's policies and were legitimately for the purpose of the Authority's operations</li> </ul>





# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2021

Figures in Pula	Note	2021	2020
Government grants	3	11 633 117	19 978 053
Amortisation of governments grants	4	3 660 372	6 326 829
Other operating income	5	6 676 634	2 604 811
Supervisory levies	6	67 314 982	58 766 691
<b>Total revenue</b>		<b>89 285 105</b>	<b>87 676 384</b>
Movement in credit loss allowances	7	(1 836 975)	(965 423)
Staff costs	8	(58 171 793)	(54 361 666)
Consultancy costs	9	(526 516)	(1 914 144)
Administrative expenses	10	(11 315 761)	(14 194 991)
Other operating expenses	11	(10 110 252)	(10 391 629)
<b>Total operating expenses</b>		<b>(81 961 297)</b>	<b>(81 827 853)</b>
<b>Operating surplus</b>		<b>7 323 808</b>	<b>5 848 531</b>
Finance income	12	848 860	861 701
Finance costs	13	(207 140)	(278 273)
<b>Total operating surplus</b>		<b>7 965 528</b>	<b>6 431 959</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>7 965 528</b>	<b>6 431 959</b>

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Statement of Financial Position as at 31 March 2021

Figures in Pula	Note	2021	2020
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	14	4 664 609	3 595 084
Right-of-use assets	15	14 298 399	2 497 061
Intangible assets	16	-	3 126 460
		<b>18 963 008</b>	<b>9 218 605</b>
<b>Current Assets</b>			
Trade and other receivables	17	1 338 785	295 660
Cash and cash equivalents	18	28 602 469	20 384 967
		<b>29 941 254</b>	<b>20 680 627</b>
<b>Total Assets</b>		<b>48 904 262</b>	<b>29 899 232</b>
<b>Funds and Liabilities</b>			
<b>Funds</b>			
Revaluation reserve		442 795	442 795
Reserves		6 921 540	2 830 792
Accumulated income		10 433 478	6 558 700
		<b>17 797 813</b>	<b>9 832 287</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Lease liabilities	15	12 090 483	-
Government grants	19	8 897 681	10 723 898
African Development Bank Grant	20	-	255 451
		<b>20 988 164</b>	<b>10 979 349</b>
<b>Current Liabilities</b>			
Trade and other payables	21	1 941 655	2 011 026
Lease liabilities	15	2 336 866	2 793 855
Short term employee benefits	22	5 839 764	4 282 715
		<b>10 118 285</b>	<b>9 087 596</b>
<b>Total Liabilities</b>		<b>31 106 449</b>	<b>20 066 945</b>
<b>Total Funds and Liabilities</b>		<b>48 904 262</b>	<b>29 899 232</b>

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Statement of Changes in Funds for the year ended 31 March 2021

Figures in Pula	Revaluation reserve	Statutory Reserve	Accumulated loss/gain	Total Funds
<b>Balance at 1 April 2019</b>	<b>442 795</b>	<b>2 830 792</b>	<b>126 741</b>	<b>3 400 328</b>
Surplus for the year	-	-	6 431 959	6 431 959
Other comprehensive income	-	-	-	-
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>6 431 959</b>	<b>6 431 959</b>
<b>Balance at 31 March 2020</b>	<b>442 795</b>	<b>2 830 792</b>	<b>6 558 700</b>	<b>9 832 287</b>
<b>Balance at 1 April 2020</b>	<b>442 795</b>	<b>2 830 792</b>	<b>6 558 698</b>	<b>9 832 285</b>
Surplus for the year	-	-	7 965 528	7 965 528
Other comprehensive income	-	-	-	-
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>	<b>7 965 528</b>	<b>7 965 528</b>
Transfer between reserves	-	4 090 748	(4 090 748)	-
<b>Total changes recognised directly in Statement of Funds</b>	<b>-</b>	<b>4 090 748</b>	<b>(4 090 748)</b>	<b>-</b>
<b>Balance at 31 March 2021</b>	<b>442 795</b>	<b>6 921 540</b>	<b>10 433 478</b>	<b>17 797 813</b>

### 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 2021

## Statement of Cash Flows for the year ended 31 March 2021

Figures in Pula	Note(s)	2021	2020
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	10 733 733	8 494 627
Finance costs		(207 140)	(278 273)
<b>Net cash from operating activities</b>		<b>10 526 593</b>	<b>8 216 354</b>
<b>Cash flows from investing activities</b>			
Purchase of Property, plant and equipment	14	(1 623 110)	(421 946)
Sale of Property, plant and equipment	14	44 407	-
Interest Income		848 860	861 701
<b>Net cash from investing activities</b>		<b>(729 843)</b>	<b>439 755</b>
<b>Cash flows from financing activities</b>			
Government grants		1 578 703	421 946
Payment on lease liabilities	25	(3 157 951)	(2 868 089)
<b>Net cash from financing activities</b>		<b>(1 579 248)</b>	<b>(2 446 143)</b>
<b>Total cash and cash equivalents movement for the year</b>		<b>8 217 502</b>	<b>6 209 966</b>
Cash and cash equivalents at the beginning of the year		20 384 967	14 175 001
<b>Total cash and cash equivalents at end of the year</b>	18	<b>28 602 469</b>	<b>20 384 967</b>

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 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 2021

## Accounting Policies

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### 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:

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Item	Average useful life
Risk Based Supervisory System (RBSS)	5 years
Enterprise Resource Planning (ERP)	5 years

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### 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, net of deferred tax.

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 2021

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

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

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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.

### 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.

#### The Supervisory levies

The supervisory levies and licence fees were promulgated into law through Statutory Instrument No.54 of 2020 of the Republic of Botswana, which was published in the Government Gazette of the 27 March 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.

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.6 Revenue from regulated entities (continued)

#### 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.

### 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.



# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.9 Employee benefits (continued)

#### 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 27 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.

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.11 Financial instruments (continued)

#### 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 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 27).

#### 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 21), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.11 Financial Instruments (continued)

#### 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 27 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.

### 1.13 Leases

The company 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.

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.13 Leases (continued)

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 company 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.

#### Company 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 company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company 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 company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 15 Leases (company 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 company 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 company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company 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 company 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 company 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

Annual Financial Statements for the year ended 31 March 2021

## Accounting Policies

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### 1.13 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 company 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 company 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 2021

## Notes to the Annual Financial Statements

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### 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:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Definition of a business - Amendments to IFRS 3	1 January 2020	The impact of the standard is not material.
• Presentation of Financial Statements: Disclosure initiative	1 January 2020	The impact of the standard is not material.
• Accounting Policies, Changes in Accounting Estimates and Errors: Disclosure initiative	1 January 2020	The impact of the standard 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 1 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IFRS 17 Insurance Contracts	1 January 2021	Unlikely there will be a material impact

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 3. Government Grants

Revenue grants 11 633 117 19 978 053

The total grant received from the government are as follows:

Revenue grants	11 633 117	19 978 053
Capital grants	1 578 703	421 947
	<b>13 211 820</b>	<b>20 400 000</b>

### 4. Amortisation of governments grants

Amotisation of property, plant and equipment	533 913	907 671
Amortisation of intangible assets	3 126 459	5 419 158
	<b>3 660 372</b>	<b>6 326 829</b>

### 5. Other operating income

Gains (losses) on disposals, scrappings and settlements

Property, plant and equipment	14	44 407	-
Interest and penalties, registration and renewals		6 055 639	2 291 500
Other income		550 946	313 311
		<b>6 650 992</b>	<b>2 604 811</b>

Foreign exchange gains (losses)

Net foreign exchange gains		25 642	-
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Total other operating gains (losses)		<b>6 676 634</b>	<b>2 604 811</b>
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### 6. Supervisory levies

Supervisory levies - Capital Markets		80 708	146 740
Supervisory levies - Lending		31 179 953	26 663 610
Supervisory levies - Finance and leasing companies		1 917 348	1 307 520
Supervisory levies - Insurance		13 090 069	11 770 831
Supervisory levies - Retirement fund and investment institutions		18 346 285	16 350 794
Supervisory levies - Medical Aid		2 700 619	2 527 196
		<b>67 314 982</b>	<b>58 766 691</b>

### 7. Movement in credit loss allowances

Trade and other receivables		1 836 975	965 423
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### 8. Staff costs

Employee costs

Basic salaries		32 621 463	30 332 096
Allowances		18 908 255	17 738 414
Defined contribution plan expense		6 642 075	6 291 156
		<b>58 171 793</b>	<b>54 361 666</b>

### 9. Consultancy costs

Other consultancy costs		526 516	1 914 144
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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 10. Administrative expenses

Advertising	668 651	73 570
Audit fees	115 139	108 622
Administrative fees	183 624	-
Bank charges	40 427	58 827
Depreciation	3 543 694	4 123 256
Amortisation of RBSS and ERP	3 126 459	5 419 158
Insurance	421 884	441 263
Motor vehicle expenses	20 072	27 884
Office expenses	380 462	7 224
Printing and stationery	437 516	365 617
Recruitment	412 863	126 821
Telephone and fax	855 963	674 946
Travel	-	1 422 358
Staff costs	508 944	791 459
Utilities	600 063	553 986
	<b>11 315 761</b>	<b>14 194 991</b>

### 11. Other expenses

Board costs	275 134	286 882
Branding and communications	807 765	1 371 837
Cleaning	196 426	199 133
Internet	842 425	627 648
Legal fees	1 143 406	840 707
Repairs and maintenance	601 390	390 931
License fees	3 281 609	4 141 538
Security	120 630	125 725
Subscriptions	1 043 279	909 610
Strategy expenses	639 072	313 055
Training	1 159 116	1 184 563
	<b>10 110 252</b>	<b>10 391 629</b>

### 12. Finance income

Interest income		
Investments in financial assets:		
Bank	848 860	861 701

### 13. Finance costs

Interest expense for leasing arrangements	207 140	278 273
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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

### 14. Property, plant and equipment

	2021			2020		
	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	(2 855 168)	1 733 532	4 544 292	(2 633 133)	1 911 159
Motor vehicles	522 783	(235 255)	287 528	522 783	(232 833)	289 950
Office equipment	325 330	(253 894)	71 436	250 836	(248 299)	2 537
IT equipment	5 718 697	(3 146 584)	2 572 113	4 214 489	(2 823 051)	1 391 438
<b>Total</b>	<b>11 281 224</b>	<b>(6 616 615)</b>	<b>4 664 609</b>	<b>9 658 114</b>	<b>(6 063 030)</b>	<b>3 595 084</b>

#### Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	1 911 159	44 407	(222 034)	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
	<b>3 595 084</b>	<b>1 623 110</b>	<b>(553 585)</b>	<b>4 664 609</b>

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	2 201 127	86 088	(376 056)	1 911 159
Motor vehicles	420 647	-	(130 697)	289 950
Office equipment	5 329	-	(2 792)	2 537
IT equipment	1 504 408	335 858	(448 828)	1 391 438
	<b>4 131 511</b>	<b>421 946</b>	<b>(958 373)</b>	<b>3 595 084</b>

#### 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 2018 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
<b>Other information</b>		
Fully depreciated property, plant and equipment still in use	1 178 079	1 178 079

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Pula	2021	2020
<b>15. Right-of-use assets</b>		
<b>Net carrying amounts of right-of-use assets</b>		
The carrying amounts of right-of-use assets are included in the following line items:		
Buildings	14 298 399	2 497 061
<b>Additions to right-of-use assets</b>		
Buildings	14 791 447	5 661 944
<b>Depreciation recognised on right-of-use assets</b>		
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	2 990 109	3 164 883
<b>Other disclosures</b>		
Interest expense on lease liabilities	207 140	278 273
<b>Lease liabilities</b>		
The maturity analysis of lease liabilities is as follows:		
Within one year	3 026 017	2 874 510
Two to five years	13 363 691	-
	16 389 708	-
Less finance charges component	(1 962 359)	(80 655)
	14 427 349	(80 655)
Non-current liabilities	12 090 483	-
Current liabilities	2 336 866	2 793 855
	14 427 349	2 793 855

The table below describes the nature of the company'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	58 months	58 months	1	0

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Pula 2021 2020

### 16. Intangible assets

	2021			2020		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Enterprise Resource Planning (ERP)	13 339 605	(13 339 605)	-	13 339 605	(10 671 685)	2 667 920
Risk Based Supervisory System (RBSS)	13 756 184	(13 756 184)	-	13 756 184	(13 297 644)	458 540
<b>Total</b>	<b>27 095 789</b>	<b>(27 095 789)</b>	<b>-</b>	<b>27 095 789</b>	<b>(23 969 329)</b>	<b>3 126 460</b>

#### Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Enterprise Resource Planning (ERP)	2 667 920	(2 667 920)	-
Risk Based Supervisory System (RBSS)	458 540	(458 540)	-
	<b>3 126 460</b>	<b>(3 126 460)</b>	<b>-</b>

#### Reconciliation of intangible assets - 2020

	Opening balance	Amortisation	Total
Enterprise Resource Planning (ERP)	5 335 841	(2 667 921)	2 667 920
Risk Based Supervisory System (RBSS)	3 209 776	(2 751 236)	458 540
	<b>8 545 617</b>	<b>(5 419 157)</b>	<b>3 126 460</b>

### 17. Trade and other receivables

#### Financial instruments:

Trade receivables	5 343 262	2 907 591
Loss allowance	(4 660 733)	(2 891 867)
Trade receivables at amortised cost	682 529	15 724
Deposits	224 209	224 209
Other receivable	432 047	55 727
<b>Total trade and other receivables</b>	<b>1 338 785</b>	<b>295 660</b>

#### Split between non-current and current portions

Current assets	1 338 785	295 660
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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	1 338 785	295 660
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#### 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.

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 17. Trade and other receivables (continued)

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 company'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:

	2021	2021	2020	2020
	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:				
More than 120 days past due	5 343 262	(4 660 733)	2 907 591	(2 891 867)

### Reconciliation of loss allowances

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

Opening balance	(2 891 867)	(1 926 444)
Provision raised on new trade receivables	(1 768 866)	(965 423)
Closing balance	(4 660 733)	(2 891 867)

### 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	3 281	3 265
Bank balances	28 599 188	20 381 702
	<b>28 602 469</b>	<b>20 384 967</b>

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Pula

	2021	2020
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### 18. Cash and cash equivalents (continued)

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.

### 19. Government grants

Opening balance	10 723 898	15 096 072
Received during the year	1 578 703	421 947
Amortisation of government grants	(3 666 098)	(4 794 121)
	<b>8 636 503</b>	<b>10 723 898</b>

### 20. African Development Bank Grant

Opening balance	255 421	1 788 159
Amortisation of African Development Bank Grants	(255 421)	(1 532 708)
	<b>-</b>	<b>255 451</b>

African Development Bank has provided assistance to the Authority in developing the Risk Based Regulatory System (RBSS)

The Regulatory Authority recognises the assistance received from the African Development Bank as a grant, and upon completion of the model, the grant was capitalised as intangible asset and amortised over the useful lives of the asset.

### 21. Trade and other payables

<b>Financial instruments:</b>		
Trade payables	1 449 393	1 307 913
Other payables	492 262	173 334
Other payables	-	40 007
<b>Non-financial instruments:</b>		
Amounts received in advance	-	489 772
	<b>1 941 655</b>	<b>2 011 026</b>

#### Fair value of trade and other payables

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

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Pula 2021 2020

### 22. Short term employee benefits

#### 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
	<b>4 282 715</b>	<b>2 389 489</b>	<b>(832 440)</b>	<b>5 839 764</b>

#### Reconciliation of short term employee benefits - 2020

	Opening balance	Additions	Utilised during the year	Total
Gratuity accruals	1 862 645	1 188 030	(1 958 948)	1 091 727
Leave accruals	2 934 663	373 793	(117 468)	3 190 988
	<b>4 797 308</b>	<b>1 561 823</b>	<b>(2 076 416)</b>	<b>4 282 715</b>

### 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).

### 24. Cash generated from operations

Surplus before taxation	7 965 528	6 431 959
<b>Adjustments for:</b>		
Depreciation and amortisation	6 670 153	9 542 414
Loss on disposals	(44 407)	-
Interest income	(848 860)	(861 701)
Finance costs	207 140	278 273
Net impairments and movements in credit loss allowances	1 836 975	965 423
Deferred operating lease	-	(140 341)
Movements in provisions	1 557 049	(514 593)
Amortisation of government grants	(3 660 372)	(6 326 829)
<b>Changes in working capital:</b>		
Trade and other receivables	(2 880 100)	(888 500)
Trade and other payables	(69 373)	8 522
	<b>10 733 733</b>	<b>8 494 627</b>

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

### 25. Changes in liabilities arising from financing activities

#### 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
<b>Total liabilities from financing activities</b>	<b>2 793 855</b>	<b>207 140</b>	<b>14 791 445</b>	<b>(3 365 091)</b>	<b>14 427 349</b>

#### Reconciliation of liabilities arising from financing activities - 2020

	Opening balance	Finance costs	New leases	Total repayment including interest	Closing balance
Finance lease liabilities	-	278 273	5 802 286	(3 286 704)	2 793 855
<b>Total liabilities from financing activities</b>	<b>-</b>	<b>278 273</b>	<b>5 802 286</b>	<b>(3 286 704)</b>	<b>2 793 855</b>

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# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

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### 26. 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

Mr Segage  
Mr Gade  
Ms Seromelo  
Ms Modisa  
Ms Masike  
Ms Makepe  
Mr Dumedisang  
Mr Ncaagae (Resigned on 30 September 2020)  
Mr Rampha  
Ms Modongo  
Ms White  
Ms Raphaka  
Ms Soko  
Ms Mongati  
Ms Chombah  
Mr Bungile  
Mr Motshidisi (Tenure commenced on 01 September 2020)  
Ms Monageng (Tenure commenced on 01 January 2021)  
Mr Sesinyi (Acting Director)

#### Related party transactions

##### Grant received

Government of the Republic of Botswana	13 211 820	20 400 000
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##### Compensation to directors and other key management

Short term employee benefits	13 984 894	14 328 781
Gratuity and pension	2 473 295	2 577 168
Other benefits	1 302 323	1 403 695
	<u>17 760 512</u>	<u>18 309 644</u>

Compensation paid to key personnel of the Authority. The amounts presented comprise 18 executive staff members (2020: 18 executive staff members). One of the members was on acting appointments.



# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

### 27. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

2021

	Note	Amortised cost	Total	Fair value
Trade and other receivables	17	1 338 785	1 338 785	1 338 785
Cash and cash equivalents	18	28 602 469	28 602 469	28 602 469
		<b>29 941 254</b>	<b>29 941 254</b>	<b>29 941 254</b>

2020

	Note	Amortised cost	Total	Fair value
Trade and other receivables	17	295 660	295 660	295 660
Cash and cash equivalents	18	20 384 967	20 384 967	20 384 967
		<b>20 680 627</b>	<b>20 680 627</b>	<b>20 680 627</b>

#### Categories of financial liabilities

2021

	Note	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	1 941 654	-	1 941 654	1 941 654
Lease liabilities	15	-	14 427 349	14 427 349	14 427 349
		<b>1 941 654</b>	<b>14 427 349</b>	<b>16 369 003</b>	<b>16 369 003</b>

2020

	Note	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	1 468 445	-	1 468 445	1 468 445
Finance lease obligations	15	-	2 793 855	2 793 855	2 793 855
		<b>1 468 445</b>	<b>2 793 855</b>	<b>4 262 300</b>	<b>4 262 300</b>

#### 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 2021, 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.

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

### 27. Financial instruments and risk management (continued)

#### 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 28 602 469 (2020: P 20 384 967)

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Trade and other receivables	17	5 999 518	(4 660 733)	1 338 785	3 187 527	(2 891 867)	295 660
Cash and cash equivalents	18	28 602 469	-	28 602 469	20 384 967	-	20 384 967
		<b>34 601 987</b>	<b>(4 660 733)</b>	<b>29 941 254</b>	<b>23 572 494</b>	<b>(2 891 867)</b>	<b>20 680 627</b>

##### 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 2021 based on contractual undiscounted payments:

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

### 27. Financial instruments and risk management (continued)

2021

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

2020

		Less than 1 year	Total	Carrying amount
<b>Current liabilities</b>				
Trade and other payables	21	1 468 445	1 468 445	1 468 445
Lease liabilities		2 793 855	2 793 855	2 793 855

#### 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	34 001	27 419
Decrease of 0.1% in interest rate	(34 001)	(27 419)
	-	-

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Notes to the Annual Financial Statements

Figures in Pula

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### 28. Going concern

#### Coronavirus 2019 (Covid-19) Impact Assessment

The World Health Organisation declared the Covid-19 outbreak as a pandemic on the 11<sup>th</sup> of March 2020, and this led to wide-ranging strict measures aimed at curbing the spread of the virus. Like many other governments, the Botswana Government had to put in safeguards such as the national/zonal lockdowns, isolation/quarantine for those affected, border closures, social distancing, sanitisation, or cleaning of hands as well as national declaration for the wearing of masks. These nationwide measures are occasionally reviewed.

The financial year 2020/21 started with a national lockdown which was only eased in May 2020. *The Authority* has since taken a series of proactive measures to protect and reduce the risks to its employees, clients and the continuance of its business activity. These measures include adherence to social distancing, provision of sanitisers, implementation of home working arrangements to decongest the office among others. In addition, *the Authority* is conscientiously following and adhering to the directives issued by the government and other relevant authorities.

At the time of issue of these financial statements, the virus has proven to be resilient and mutated into several strains, meaning that even with vaccines becoming available, the pandemic is still far from over, thereby its effects on *the Authority* continue to be subject to significant levels of uncertainty. With a rise in the COVID-19 cases in the *Authority*, it is evident that our employees are still at risk and business may also be impacted negatively. In light of this, *the Authority* will continue to leverage on technology to serve its customers so as to minimise any disruptions to service delivery and continue with cost containment measures to ensure *the Authority* does not run into losses.

In making the going concern judgements and financial projections, Management considered factors such as possible travel bans, business restrictions, government assistance, including information that shows whether there will be sufficient liquidity to continue to meet obligations as and when they fall due. Management has assessed the existing and anticipated effects of the pandemic on *the Authority's* activities and the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

Based on the assessment undertaken, Management is of the view that *the Authority* has adequate cash balances, statutory reserve, and accumulated income to withstand the effects of the pandemic. Management therefore considers the going concern basis to be appropriate for *the Authority*.

# Non-Bank Financial Institutions Regulatory Authority

Annual Financial Statements for the year ended 31 March 2021

## Detailed Income Statement

Figures in Pula	Note(s)	2021	2020
<b>Other operating expenses</b>			
Administrative fees		(183 624)	-
Advertising		(668 651)	(73 570)
Amortisation		(3 126 459)	(5 419 158)
Auditors remuneration		(115 139)	(108 622)
Bank charges		(40 427)	(58 827)
Board fees		(275 134)	(286 882)
Branding and communications		(807 765)	(1 371 837)
Cleaning		(196 426)	(199 133)
Consulting and professional fees		(526 516)	(1 914 144)
Depreciation		(3 543 694)	(4 123 256)
Employee costs		(58 171 793)	(54 361 666)
Insurance		(421 884)	(441 263)
Internet		(842 425)	(627 648)
Legal fees		(1 143 406)	(840 707)
License fees		(3 281 609)	(4 141 538)
Motor vehicle expenses		(20 072)	(27 884)
Office expenses		(380 462)	(7 224)
Printing and stationery		(437 516)	(365 617)
Recruitment		(412 863)	(126 821)
Repairs and maintenance		(601 390)	(390 931)
Security		(120 630)	(125 725)
Staff costs		(508 944)	(791 459)
Strategy expenses		(639 072)	(313 055)
Subscriptions		(1 043 279)	(909 610)
Telephone and fax		(855 963)	(674 946)
Training		(1 159 116)	(1 184 563)
Travel		-	(1 422 358)
Utilities		(600 063)	(553 986)
		<b>(80 124 322)</b>	<b>(80 862 430)</b>

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