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Telephone +267 310 2595 / 368 6100
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Website: www.nbfira.org.bw

NBFIRA
Non-Bank Financial Institutions Regulatory Authority

MEMORANDUM

TO: ALL NON-BANK FINANCIAL INSTITUTIONS

FROM: CHIEF EXECUTIVE OFFICER, NBFIRA

ODUETSE A. MOTSHIDISI

DATE: 2ND DECEMBER 2020

RE: ADJUSTMENT OF SUPERVISORY LEVIES AND LICENSING FEES FOR THE YEAR ENDING 31ST MARCH 2022

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1. The above subject matter refers.

2. ***The Authority*** informs all Non-Bank Financial Institutions (NBFIs) that there will be **no physical industry meetings** to consult on annual supervisory levies and licensing fees for financial year ending **31st March 2022.**

3. ***The Authority*** will call for comments from the NBFIs through available electronic platforms such as its Facebook page, and through email.

4. For the financial year ending **31st March 2022**, NBFIRA proposes to maintain supervisory levies and licensing fees as at the current year's rates.

5. The above proposal was made after taking due consideration of the effect that the Covid-19 pandemic has had on the NBFI sector and the economy at large.

6. This memo is issued in line with Section 23 of the NBFIRA Act, which requires ***the Authority*** to consult accordingly with the industry and to allow for industry participation in the setting of annual supervisory levies and licensing fees.

7. ***The Authority*** makes recommendations to the Honourable Minister concerning supervisory levies and licensing fees and his decision is final.

8. All comments and enquiries are to be submitted electronically through BudgetComments@nbfira.org.bw by latest 31st December 2020.

NON – BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY ACT

(PROPOSED SUPERVISORY LEVIES AND LICENSING FEES PROPOSAL 2022)

Non – Bank Financial Institution (NBFI)	Supervisory Levies
1. Asset Managers (excluding International Financial services Centre Asset Managers)	P36,691 and 0.0230% per annum of the total values of investments managed by an Asset Manager at the end of each month of the financial year.
2. Central Securities Depositories	P200,100
3. Securities Exchanges	P200,100
4. Custodians of Collective Investment undertakings	P73,376
5. Insurance Brokers	P14,680 and 0.1755% of the gross commissions received as reported in their most recently audited financial statements.
6. Insurance Companies	P73,376 and 0.1755% of the gross premiums written, as reported in their most recently audited financial statements.
7. Corporate Insurance Agents	P7,004
8. International Financial Services Centre companies	P40,354
9. Management Companies of Collective Investment Undertaking	P36,691 and 0.0230% per annum of the total value of the Assets controlled by a management company in respect of each scheme at the end of each month of the financial year.
10. Micro lenders a) Average loan book values above P1,000,000 b) Average loan book values up to P1,000,000	 0.702% per annum of a micro lenders total loan book at the end of each month at the financial year. P7, 018 per annum
11. Transfer Agents/ Transfer Secretaries.	P12,100
12. Trustees of Collective Investment Undertakings	P73, 376
13. Central Counter Party	P220,110

Non – Bank Financial Institution (NBFI)	Supervisory Levies
14. Pawnshops a) Average loan book values above P1,000,000 b) Average loan book values up to P1,000,000	0.702% per annum of a micro lenders total loan book at the end of each month at the financial year. P7,018 per annum
15. Retirement Funds	P292 and P19 in respect of each member at the end of each financial year
16. Participants / Market Maker	P33,358
17. Security Brokers / Dealers	P66,704
18. Medical Aid Funds	P7,170 and P19.35 in respect of each member at the end of each financial year.
19. Finance & Leasing Companies a) Average loan book values above P1,000,000 b) Average loan book values up to P1,000,000	0.702% per annum of a micro lenders total loan book at the end of each month at the financial year. P7,018 per annum
20. Retirement Fund Administrator	P8,069 and P666 per fund
21. Investment Advisors	P9,086 per annum

NON – BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY ACT
(PROPOSED SUPERVISORY LEVIES AND LICENSING FEES 2022)
LICENSING FEES

Non – Bank Financial Institution (NBFI)	Narration	Fee Amount (Pula)
1. Asset Managers	Application for license	12,000
2. Custodians and Trustees	Application for license	12,000
3. Central Securities Depositories	Application for license	96,000
4. Securities Exchanges	Application for license	100,000
5. International Financial Services Centre registered companies	Application for license	12,000
6. Insurance Brokers	Application for license Renewal of license	5,000 3,300
7. Insurance Companies	Application for license Renewal of license	25,000 15,000
8. Corporate Insurance Agents	Application for license Renewal of license	1,200 750
9. Management companies of Collective Investments Undertakings	Application for license License fee for each additional fund	12,000 2,200
10. Micro Lenders	Application for license License fee for each additional branch	6,000 1,200
11. Retirement Funds	Application for license	250
12. Securities Exchanges	Application for license	100,000
13. Securities Brokers / Dealers	Application for license	50,000
14. Transfer Agents / Transfer Secretaries	Application for license	12,000
15. Central Counter Party	Application for license	100,000
16. Participant / Market Maker	Application for license	10,000
17. Retirement Fund Administrator	Application for license	10,000
18. Medical Aids Fund	Application for license	10,000
19. Pawnshop	Application for license License fee for each additional branch	6,000 1,200
20. Finance & Leasing Company	Application for license License fee for each additional branch	6,000 1,200

NON-BANK FINANCIAL INSTITUTIONS REGULATORY AUTHORITY
PROPOSED BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2021/22

NO.	DETAILS	2021/22 PROPOSED BUDGET (P)	2020/21 BUDGET (P)
	Income		
1	Supervisory Levies	63,506,978	63,506,978
2	Government Subvention - Recurrent	20,400,000	20,400,000
3	AML /CFT Subvention		
4	Other Income	750,000	750,000
5	Licence Registrations & Renewals	1,425,600	1,782,000
7	Profit/loss on disposal		
	Total Income	**86,082,578**	**86,438,978**
	Operating Expenditure		
8	Advertising	614,000	669,746
10	Audit Fee	128,112	118,622
11	Bank Charges	67,180	63,377
12	Cleaning	321,246	252,949
13	Computer Support and Maitenance	577,530	621,000
14	Consulting Fees	1,182,080	1,182,080
15	Directors'Cost	204,000	204,000
16	Documents, Storage & Management	12,006	10,915
17	Insurance	490,735	446,122
18	Internet Leased Lines	802,080	668,400
19	Investigations/ Inspections	1,559,882	1,559,882
20	Legal Fees	2,000,000	2,000,000
21	Repairs and Maintanance	60,500	60,500
22	Printing & Stationery	497,889	497,889
23	Public Relations & Promotions	925,800	925,800
24	Recruitment	232,350	309,800
25	Rental Office	3,725,363	3,449,411
26	Security	144,232	136,068
27	Software Licenses & Maintenance	4,182,850	3,802,591
28	Staff Costs	597,146	597,146
29	Staff Salaries & Allowances	63,976,571	60,355,256
30	Strategy	30,000	790,000
31	Subscriptions	1,090,485	991,350
32	Telephone	739,462	672,238
33	Training	2,461,466	3,281,955
34	Travel	1,709,356	2,279,141
35	Utilities (Water & Electricity)	676,147	573,006
36	**Total Operating Expenditure**	**89,008,469**	**86,519,245**
37	**Operating Deficit**	**(2,925,891)**	**(80,267)**
	Capital Expenditure		
38	Computer Equipment	2,088,056	4,176,113
39	Furniture & Fittings		155,000
45	**Total Capital Expenditure**	**2,088,056**	**4,331,113**
46	**Total Operating & Capital Expenditure (A)**	**91,096,525**	**90,850,358**
47			
48	**Statutory Reserve (SR) Top Up**		
49	**Drawdown from Accumulated Cash & Cash Equivalents (B)**	**2,088,056**	**4,331,113**
21			
50	**Total Operating & Capital Expenditure and SR Drawdown (A) + (B)**	**89,008,469**	**86,519,245**
51			
52	**Budget Deficit**	**(2,925,891)**	**(80,267)**

Non-Bank Financial Institutions Regulatory Authority
Annual Financial Statements
for the year ended 31 March 2020

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. T. Tema Ms. A. T. Khunwana (Tenure ended: 30 September 2019) Ms. P. Masalela Dr. L. S. Senatla Mr. K. Olebile Ms. I. M. Ramalohlanye Ms. H. D. Hlanti
Chief Executive Officer	Mr. S. Gade (Acting) Mr. O. M. Ramasedi (Tenure ended: 28 February 2020)
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	Grant Thornton Chartered Accountants A Botswana Member of Grant Thornton International Ltd
Functional currency	Botswana Pula BWP"

Contents

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 2021 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 page s 4 to 7.

The annual financial statements set out on pages 9 to 38, which have been prepared on the going concern basis, were approved by the board of directors on 10/09/20 and were signed on their behalf by

Approval of financial statements

Director | **Director**

Gaborone

Grant Thornton

Chartered Accountants

Grant Thornton
Acumen Park, Plot 50370
Fairgrounds, Gaborone
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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 2020, 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 2020, 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.

GrantThornton

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
Recognition of revenue 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.	• We have performed walkthroughs on the revenue cycle to gain an understanding of when the revenue is recognised. • 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. • 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.
Valuation of the intangible asset The Authority has invested significant amount in the development and implementation of its systems namely the Risk Based Supervisory System (RBSS) and Enterprise Resource Planning (ERP). The total amount of intangible assets of the Authority is stated at P 3 126 460 as at the year-end.	• Our audit procedure included considering the appropriateness of the assumptions used in the valuation of the intangible assets by management. • We have evaluated the assumptions used by the management to assess the useful lives of the intangible assets. • We noted that the assumptions used by management were reasonable, consistent with prior year and the accounting policies of the Authority.

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.

GRANT THORNTON CHARTERED ACCOUNTANTS GABORONE

GrantThornton

Independent Auditor's Report

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

GRANT THORNTON

Grant Thornton

Independent Auditor's Report

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 2020

10 SEPT 2020
Gaborone

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2020

Figures in Pula	Note	2020	2019
Government grants	4	19 978 053	18 468 572
Amortisaton of governments grants	5	6 326 829	6 588 644
Other operating income	6	2 604 811	2 834 409
Supervisory levies	7	58 766 691	50 845 452
Total revenue		**87 676 384**	**78 737 077**
Staff costs	8	(54 361 666)	(49 574 012)
Consultancy costs	9	(1 914 144)	(616 085)
Administrative expenses	10	(11 977 329)	(14 713 390)
Other operating expenses	11	(13 574 714)	(12 483 090)
Total operating expenses		**(81 827 853)**	**(77 386 577)**
Operating surplus/(deficit)		**5 848 531**	**1 350 500**
Finance income	12	861 701	716 484
Finance costs	13	(278 273)	-
Total operating (decifit)/surplus		**6 431 959**	**2 066 984**
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gains on property revaluation		-	442 795
Other comprehensive income for the year net of taxation		**-**	**442 795**
Total comprehensive income (loss) for the year		**6 431 959**	**2 509 779**

Statement of Financial Position as at 31 March 2020

Figures in Pula	Note	2020	2019
Assets			
Non-Current Assets			
Property, plant and equipment	14	3 595 084	4 131 511
Right-of-use assets	15	2 497 061	-
Intangible assets	16	3 126 460	8 545 617
		9 218 605	12 677 128
Current Assets			
Trade and other receivables	17	295 660	372 583
Cash and cash equivalents	18	20 384 967	14 175 001
		20 680 627	14 547 584
Total Assets		29 899 232	27 224 712
Funds and Liabilities			
Funds			
Revaluation reserve		442 795	442 795
Reserves		2 830 792	2 830 792
Retained income		6 558 700	126 743
		9 832 287	3 400 330
Liabilities			
Non-Current Liabilities			
Government grants	19	10 723 898	15 096 072
African Development Bank Grant	20	255 451	1 788 159
		10 979 349	16 884 231
Current Liabilities			
Trade and other payables	21	2 011 026	2 002 502
Lease liabilities	15	2 793 855	-
Operating lease liability	23	-	140 341
Short term employee benefits	22	4 282 715	4 797 308
		9 087 596	6 940 151
Total Liabilities		20 066 945	23 824 382
Total Funds and Liabilities		29 899 232	27 224 712

Statement of Changes in Funds for the year ended 31 March 2020

Figures in Pula	Revaluation reserve	Statutory Reserve	Accumulated loss/gain	Total Funds
Balance at 1 April 2018	-	3 390 792	(2 500 241)	890 551
Deficit for the year	-	-	2 066 984	2 066 984
Other comprehensive income	442 795	-	-	442 795
Surplus for the year	442 795	-	2 066 984	2 509 779
Transfer between reserves	-	(560 000)	560 000	-
Total changes recognised directly in Statement of Funds	-	(560 000)	560 000	-
Balance at 31 March 2019	442 795	2 830 792	126 743	3 400 330
Balance at 1 April 2019	442 795	2 830 792	126 741	3 400 328
Surplus for the year	-	-	6 431 959	6 431 959
Surplus for the year	-	-	6 431 959	6 431 959
Balance at 31 March 2020	442 795	2 830 792	6 558 700	9 832 287

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 unforseen 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.

Statement of Cash Flows for the year ended 31 March 2020

Figures in Pula	Note(s)	2020	2019
Cash flows from operating activities			
Cash generated / (utilised) in operations	25	8 494 627	1 840 481
Finance costs		(278 273)	-
Net cash from operating activities		**8 216 354**	**1 840 481**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(421 946)	(396 335)
Sale of property, plant and equipment	14	-	88
Interest Income		861 701	716 484
Net cash from investing activities		**439 755**	**320 237**
Cash flows from financing activities			
Government grants		421 946	396 338
Payment on lease liabilities		(2 868 089)	-
Net cash from financing activities		**(2 446 143)**	**396 338**
Total cash and cash equivalents movement for the year		**6 209 966**	**2 557 056**
Cash and cash equivalents at the beginning of the year		14 175 001	11 617 945
Total cash and cash equivalents at end of the year	18	**20 384 967**	**14 175 001**

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 except for the new standards and interpretations effective and adopted in the current year as set out in note 2.

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-inuse 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.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

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.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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.

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	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 contracts with customers

The Authority recognises revenue from the following major sources:

- supervisory levies
- License fees
- Penalties

Accounting Policies

1.6 Revenue from contracts with customers (continued)

- Finance income
- Government Grant

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

The supervisory levies

The supervisory levies and licence fees were promulgated into law through Statutory Instrument No.52 of 2017 of the Republic of Botswana, which was published in the Government Gazette of the 29 March 2019. 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

Penalties 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.

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 which are debt instruments
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, or specified dates, to cash flows that are solely payments of principal and interest on principal and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows).

Financial liabilities
- Amortised cost.

Note 28 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.

Accounting Policies

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.

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.

Accounting Policies

1.13 Leases (continued)

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 (note) 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,
- 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

Accounting Policies

1.13 Leases (continued)

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.

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

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the Authority are as follows:

Authority as lessee

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received, initial direct costs of the lessee, and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments, residual value guarantees to be made by the lessee, exercise price of purchase options, and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.
- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Authority as lessor

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

Notes to the Annual Financial Statements

2. **New Standards and Interpretations (continued)**
   - In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
   - If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
   - If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds

The effective date of the standard is for years beginning on or after 1 January 2019.

The company has adopted the standard for the first time in the 2020 annual financial statements.

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 2020 or later periods

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Definition of a business - Amendments to IFRS 3	1 January 2020	Unlikely there will be a material impact

3. Changes in accounting policy

The annual financial statements have been prepared in accordance with International Financial Reporting Standards on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Application of IFRS 16 Leases

In the current year, the company has adopted IFRS 16 Leases (as issued by the IASB in January 2016) with the date of initial application being 1 April 2019. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in the accounting policy for leases. The impact of the adoption of IFRS 16 on the company's annual financial statements is described below.

The company has applied the practical expedient available in IFRS 16 which provides that for contracts which exist at the initial application date, an entity is not required to reassess whether they contain a lease. This means that the practical expedient allows an entity to apply IFRS 16 to contracts identified by IAS 17 and IFRIC 4 as containing leases, and to not apply IFRS 16 to contracts that were not previously identified by IAS 17 and IFRIC 4 as containing leases.

IFRS 16 has been adopted by applying the modified retrospective approach, whereby the comparative figures are not restated. Instead, cumulative adjustments to retained earnings have been recognised in retained earnings as at 1 April 2019.

Notes to the Annual Financial Statements

3. Changes in accounting policy (continued)

Leases where company is lessee

Leases previously classified as operating leases

The Authority undertook the following at the date of initial application for leases which were previously recognised as operating leases:

- recognised a lease liability, measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate at the date of initial application
- recognised right-of-use assets measured on a lease by lease basis, at either the carrying amount (as if IFRS 16 applied from commencement date but discounted at the incremental borrowing rate at the date of initial application) or at an amount equal to the lease liability adjusted for accruals or prepayments relating to that lease prior to the date of initial application.

The Authority applied IAS 36 to consider if these right-of-use assets are impaired as at the date of initial application.

The Authority applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases in terms of IAS 17. Where necessary, they have been applied on a lease by lease basis

- when a portfolio of leases contained reasonably similar characteristics, the Authority applied a single discount rate to that portfolio.
- leases which were expiring within 12 months of 1 April 2019 were treated as short term leases, with remaining lease payments recognised as an expense on a straight-line basis or another systematic basis which is more representative of the pattern of benefits consumed.
- initial direct costs were excluded from the measurement of right-of-use assets at the date of initial application.
- hindsight was applied where appropriate. This was specifically the case for determining the lease term for leases which contained extension or termination options.

Impact on financial statements

On transition to IFRS 16, the Authority recognised an additional P5 661 944 of right-of-use assets and P5 802 286 of lease liabilities.

When measuring lease liabilities, Authority discounted lease payments using its incremental borrowing rate at 01 May 2019. The weighted average rate applied is 6.09%

Reconciliation of previous operating lease commitments to lease liabilities under IFRS 16

	1 April 2019
Operating lease commitment at 31 March 2019 as previously disclosed	6 161 215
Discounted using the incremental borrowing rate at 1 April 2019	(358 929)
Lease liabilities recognised at 1 April 2019	**5 802 286**

4. Government Grants

Revenue grants	19 978 053	18 468 572
The total grant received from the government are as follows:		
Revenue grants	19 978 053	18 468 572
Capital grants	421 947	396 338
	20 400 000	**18 864 910**

5. Amortisaton of governments grants

Amotisation of property, plant and equipment	907 671	1 169 486
Amortisation of intangible assets	5 419 158	5 419 158
	6 326 829	**6 588 644**

Notes to the Annual Financial Statements

6. Other operating income

Gains (losses) on disposals, scrappings and settlements			
Bad debts recovered		-	17 569
Gain on disposal	14	-	88
Interest and penalties, registration and renewals	16	2 291 500	1 793 776
Other income		313 311	1 022 976
		2 604 811	**2 834 409**

7. Supervisory levies

Supervisory levies - Capital Markets	146 740	166 750
Supervisory levies - Lending	26 663 610	21 518 019
Supervisory levies - Finance and leasing companies	1 307 520	106 878
Supervisory levies - Insurance	11 770 831	10 493 767
Supervisory levies - Retirement fund and investment institutions	16 350 794	16 320 031
Supervisory levies - Medical Aid	2 527 196	2 240 007
	58 766 691	**50 845 452**

8. Staff costs

Employee costs		
Basic salaries	30 332 096	27 521 134
Allowances	17 738 414	16 108 330
Defined contribution plan expense	6 291 156	5 944 548
	54 361 666	**49 574 012**

9. Consultancy costs

Other consultancy costs	1 914 144	616 085

10. Administrative expenses

Advertising	73 570	54 187
Audit fees	108 622	119 750
Bad debts	965 423	593 009
Bank charges	58 827	54 210
Depreciation	958 373	1 145 963
Amortisation of RBSS and ERP	5 419 158	5 419 159
Insurance	441 263	393 450
Motor vehicle expenses	27 884	27 584
Office expenses	7 224	30 592
Operating lease expenses	-	3 227 026
Printing and stationery	365 617	419 824
Recruitment	126 821	195 127
Telephone and fax	674 946	627 176
Travel	1 422 358	1 356 954
Uniform	773 257	515 331
Utilities	553 986	534 048
	11 977 329	**14 713 390**

Notes to the Annual Financial Statements

11. Other expenses

Board costs	286 882	249 758
Branding and communications	1 371 837	946 877
Cleaning	199 133	193 879
Computer expenses	627 648	627 648
Legal fees	840 707	4 020 833
Repairs and maintenance	389 111	218 251
License fees	4 141 538	3 124 411
Security	278 332	264 830
Subscriptions	896 717	701 174
Net book value retired - Loss	6 676	90 224
Strategy expenses	313 055	327 491
Training	1 327 835	1 717 714
	10 679 471	**12 483 090**

12. Finance income

Interest income		
Investments in financial assets:		
Bank	861 701	716 484

13. Finance costs

Interest expense for leasing arrangements	278 273	-

Notes to the Annual Financial Statements

14. Property, plant and equipment

	2020			2019		
	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	4 544 292	(2 633 133)	1 911 159	4 458 204	(2 257 077)	2 201 127
Motor vehicles	522 783	(232 833)	289 950	522 783	(102 136)	420 647
Office equipment	250 836	(248 299)	2 537	250 836	(245 507)	5 329
IT equipment	4 214 489	(2 823 051)	1 391 438	3 878 630	(2 374 222)	1 504 408
Total	**9 658 114**	**(6 063 030)**	**3 595 084**	**9 236 167**	**(5 104 656)**	**4 131 511**

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
	4 131 511	**421 946**	**(958 373)**	**3 595 084**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Revaluations	Depreciation	Impairment loss	Total
Furniture and fixtures	2 648 134	-	-	(447 007)	-	2 201 127
Motor vehicles	139 983	-	442 795	(162 131)	-	420 647
Office equipment	6 937	-	-	(1 608)	-	5 329
IT equipment	1 733 514	396 335	-	(535 217)	(90 224)	1 504 408
	4 528 568	**396 335**	**442 795**	**(1 145 963)**	**(90 224)**	**4 131 511**

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

Other information

Fully depreciated property, plant and equipment still in use	1 178 079	984 670

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	2 497 061	-

Notes to the Annual Financial Statements

15. Right-of-use assets (continued)

Additions to right-of-use assets

Buildings	5 661 944	-

Depreciation recognised on right-of-use assets

Depreciation recognised on each class of right-of-use assets, is presented below. It includes depreciation which has been expensed in the total depreciation charge in profit or loss, as well as depreciation which has been capitalised to the cost of other assets.

Buildings	3 164 883	-

Lease liabilities

The maturity analysis of lease liabilities is as follows

Within one year	2 874 510	-
	2 874 510	-
Less finance charges component	(80 655)	-
	2 793 855	-
Current liabilities	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	10 months	10 months		

16. Intangible assets

	2020			2019		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Enterprise Resource Planning (ERP)	13 339 605	(10 671 685)	2 667 920	13 339 605	(8 003 764)	5 335 841
Risk Based Supervisory System (RBSS)	13 756 184	(13 297 644)	458 540	13 756 184	(10 546 408)	3 209 776
Total	**27 095 789**	**(23 969 329)**	**3 126 460**	**27 095 789**	**(18 550 172)**	**8 545 617**

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
	8 545 617	**(5 419 157)**	**3 126 460**

Notes to the Annual Financial Statements

16. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Enterprise Resource Planning (ERP)	8 003 763	(2 667 922)	5 335 841
Risk Based Supervisory System (RBSS)	5 961 013	(2 751 237)	3 209 776
	13 964 776	**(5 419 159)**	**8 545 617**

17. Trade and other receivables

Financial instruments:		
Trade receivables	2 907 591	2 023 339
Loss allowance	(2 891 867)	(1 926 444)
Trade receivables at amortised cost	15 724	96 895
Deposits	224 209	224 209
Other receivable	55 727	51 479
Total trade and other receivables	**295 660**	**372 583**

Split between non-current and current portions

Current assets	295 660	372 583

Categorisation of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9 Financial Instruments

At amortised cost	295 660	372 583

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.

Notes to the Annual Financial Statements

17. Trade and other receivables (continued)

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

Expected credit loss rate:	2020 Estimated gross carrying amount at default	2020 Loss allowance (Lifetime expected credit loss)	2019 Estimated gross carrying amount at default	2019 Loss allowance (Lifetime expected credit loss)
Not past due	-	-	30	-
61 - 90 days past due	-	-	850 504	753 639
More than 120 days past due	2 907 591	2 891 867	1 172 805	1 172 805
Total	**2 907 591**	**2 891 867**	**2 023 339**	**1 926 444**

Reconciliation of loss allowances

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

Opening balance in accordance with IFRS 9	**(1 926 444)**	**(1 785 298)**
Amounts recovered	-	17 569
Provision raised on supervisory levy	(965 423)	(593 009)
Amounts written off	-	434 294
Closing balance	**(2 891 867)**	**(1 926 444)**

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	3 265	510
Bank balances	20 381 702	14 174 491
	20 384 967	**14 175 001**

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.

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

19. Government grants

Opening balance	15 096 072	19 755 669
Received during the year	421 947	396 338
Amortisation of government grants	(4 794 121)	(5 055 936)
	10 723 898	**15 096 071**

20. African Development Bank Grant

Heading		
Opening balance	1 788 159	3 320 867
Amortisation of African Develompment Bank Grants	(1 532 708)	(1 532 711)
	255 451	**1 788 156**

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

Financial instruments:		
Trade payables	1 307 913	1 285 108
Other payables	173 334	187 060
Other payables	40 007	-
Non-financial instruments:		
Amounts received in advance	489 772	530 334
	2 011 026	**2 002 502**

Fair value of trade and other payables

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

22. Short term employee benefits

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
	4 797 308	**1 561 823**	**(2 076 416)**	**4 282 715**

Reconciliation of short term employee benefits - 2019

	Opening balance	Additions	Utilised during the year	Total
Gratuity accruals	808 028	1 054 617	-	1 862 645
Leave accruals	2 495 128	670 320	(230 785)	2 934 663
	3 303 156	**1 724 937**	**(230 785)**	**4 797 308**

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

23. Operating lease liability

Current liabilities	-	140 341

24. 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).

25. Cash generated from operations

Surplus before taxation	6 431 959	2 066 984
Adjustments for:		
Depreciation and amortisation	9 542 414	6 565 122
Loss on disposals	-	(88)
Interest income	(861 701)	(716 484)
Finance costs	278 273	-
Net impairments and movements in credit loss allowances	-	90 224
Deffered operating lease	(140 341)	126 362
Movements in provisions	(514 593)	1 494 152
Amortisation of government grants	(6 326 829)	(6 588 643)
Changes in working capital:		
Trade and other receivables	76 923	259 144
Trade and other payables	8 522	(1 456 292)
	8 494 627	**1 840 481**

26. Commitments

Operating lease commitments (expense - Only comparatives)

The Regulatory Authority has entered into a commercial property lease with Exponential Building for a period of three (3) years to February 2021, with an escalation of 6% annually. The future aggregate minimum lease rentals as at 31 March 2019 are as follows:

Minimum lease payments due		
- within one year	-	2 934 557
- in second to fifth year inclusive	-	2 566 527
	-	5 501 084

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

27. Related parties

Relationships

The Regulatory Authority was set up by the Non-Bank FinancialInstitutions Regulatory Authority Act, 2016 and is therefore related to theGoverment of the Republic of Botswana. Transactions with relatedparties are in the normal course of business. The following transactionwere carried out with related parties

Members of key management	Mr Ramasedi (Tenure ended Feb 2020) Mr Segage Mr Gade (Acting CEO) Ms Seromelo Ms Modisa Ms Masike Ms Makepe Mr Dumedisang Mr Ncaagae Mr Rampha Ms Modongo Ms White Ms Raphaka Ms Soko Ms Mongati Mr Chombah Mr Bungile

Related party transactions

	2020	2019
Grants received		
Government of the Republic of Botswana	20 400 000	18 864 910
Compensation to directors and other key management		
Salary	14 328 781	13 224 166
Gratuity and pension	2 577 168	2 292 770
Other benefits	1 403 695	1 315 560
	18 309 644	**16 832 496**

Compensation paid to key personnel of the Authority. The amounts presented comprise 17 executive staff members (2018 18 executive staff members). Two of the members were on acting appointments.

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

28. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

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
		20 680 627	**20 680 627**	**20 680 627**

2019

	Note	Amortised cost	Total	Fair value
Trade and other receivables	17	372 583	372 583	372 583
Cash and cash equivalents	18	14 175 001	14 175 001	14 175 001
		14 547 584	**14 547 584**	**14 547 584**

Categories of financial liabilities

2020

	Note	Amortised cost	Leases	Total	Fair value
Trade and other payables	21	1 468 445	-	1 468 445	1 468 445
Lease liabilities	15	-	2 793 855	2 793 855	2 793 855
		1 468 445	**2 793 855**	**4 262 300**	**4 262 300**

2019

	Note	Amortised cost	Total	Fair value
Trade and other payables	21	1 472 167	1 472 167	1 472 167

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 2019, 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

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

28. Financial instruments and risk management (continued)

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 20 384 967 (2019 P 14 175 001)

		2020			2019		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	17	3 187 527	(2 891 867)	295 660	2 299 027	(1 926 444)	372 583
Cash and cash equivalents	18	20 384 967	-	20 384 967	14 175 001	-	14 175 001
		23 572 494	(2 891 867)	20 680 627	16 474 028	(1 926 444)	14 547 584

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 2020 based on contractual undiscounted payments

2020

	Less than 1 year	Total	Carrying amount
Current liabilities			
Trade and other payables	1 468 445	1 468 445	1 521 256
Lease liabilities	-	-	2 793 855

2019

Notes to the Annual Financial Statements

Figures in Pula	2020	2019

28. Financial instruments and risk management (continued)

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables	21	1 472 167	1 472 167	1 472 167

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.

	2020	2019
Heading		
Increase of 0.5% in interest rate	90 515	69 995
Decrease of 2% in interest	(362 059)	(279 981)
	(271 544)	**(209 986)**

29. Events after the reporting period

The impact of the COVID-19 virus on our business continues to evolve. At the date of finalization of the annual financial statements, there were no material events that occurred subsequent to the statement of financial position date that require adjustment to the financial statements. The following material subsequent events however requires disclosure in the financial statements.
On 11 March 2020, the World Health Organization declared the Coronavirus COVID-19 outbreak a global pandemic. This situation continues to advance and is being monitored with various corrective and preventive measures as detailed below
> requiring self-isolation quarantine by those potentially affected,
> implementing social distancing measures, and
> controlling or closing borders and "locking-down" cities/regions or even entire countries.

The pandemic is an extraordinary challenge for humanity and for the economy globally, and at the date of finalization of the financial statements its effects are subject to significant levels of uncertainty. The impact of the coronavirus will be closely monitored and assessed for its impact on the business. The company has undertaken a variety of measures and implemented contingency plans to mitigate the negative impact of the Covid-19 pandemic. The response plan covers operational and credit risk responses to ensure that the company will be able to operate and service clients. Considering the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

Based on the assessment performed, management is of the view that the significant doubt associated with the current uncertainties related to the Covid-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the company's ability to continue as a going concern. The directors agrees with this assessment.

Detailed Income Statement

Figures in Pula	Note(s)	2020	2019
Revenue			
Government grants		19 978 053	18 468 572
Supervisory levies			
		58 766 691	50 845 452
Total revenue		**78 744 744**	**69 314 024**
Other operating income			
Other income		907 671	1 169 486
Amortisation of Capital Grants		5 419 158	5 419 158
	5	**6 326 829**	**6 588 644**
Other operating gains (losses)			
Other operating income		2 604 811	2 834 409
Expenses (Refer to page 38)		**(81 827 853)**	**(77 386 577)**
Operating surplus		**5 848 531**	**1 350 500**
Finance income	12	861 701	716 484
Finance costs	13	(278 273)	-
Surplus for the year		**6 431 959**	**2 066 984**

The supplementary information presented does not form part of the annual financial statements and is unaudited

Detailed Income Statement

Figures in Pula	Note(s)	2020	2019
Other operating expenses			
Advertising		(73 570)	(54 187)
Amortisation		(5 419 158)	(5 419 159)
Auditors remuneration		(108 622)	(119 750)
Bad debts		(965 423)	(593 009)
Bank charges		(58 827)	(54 210)
Cleaning		(199 133)	(193 879)
Branding and communications		(1 371 837)	(946 877)
Cleaning		(627 648)	(627 648)
Consulting and professional fees		(1 914 144)	(616 085)
Consulting and professional fees - legal fees		(840 707)	(4 020 833)
Board fees		(286 882)	(249 758)
Depreciation		(4 123 256)	(1 145 963)
Employee costs		(54 361 666)	(49 574 012)
Office expenses		(7 224)	(30 592)
Recruitment		(126 821)	(195 127)
Strategy expenses		(313 055)	(327 491)
Impairment		-	(90 224)
Insurance		(441 263)	(393 450)
Lease rentals on operating lease		-	(3 227 026)
Motor vehicle expenses		(27 884)	(27 584)
Utilities		(553 986)	(534 048)
Recruitment		(365 617)	(419 824)
Repairs and maintenance		(390 931)	(218 251)
License fees		(4 141 538)	(3 124 411)
Security		(125 725)	(264 830)
Uniform		(791 459)	(515 331)
Subscriptions		(909 610)	(701 174)
Telephone and fax		(674 946)	(627 176)
Training		(1 184 563)	(1 717 714)
Travel		(1 422 358)	(1 356 954)
		(81 827 853)	**(77 386 577)**