COPYRIGHT SOCIETY OF BOTSWANA
(Registration number CO2008/3322)
Financial Statements for the year ended 30 June 2017

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	To manage the rights of copyrightable works collection and distributon of royalties
Directors	S.B Monyame N.Tlhomelang Kopano Mantswe (Treasurer) B.Seboni (Vice Chairperson) P.Monna(Chairperson) P.Setsiba
Business address	1st Floor,Plot 4792 Gaborone
Postal address	P/Bag B075 Bontleng Gaborone
Bankers	First National Bank Barclays Bank,Bank Gaborone
Auditor's	Mamlathan & Associates Certified Accountants Registered Auditors MeFBW15015
Company registration number	CO2008/3322
Level of assurance	These financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana.

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The reports and statements set out below comprise the financial statements presented to the members:

Level of assurance

These financial statements have been audited in compliance with the applicable requirements of the Companies Act of Botswana.

Preparer

Mompati Kgaimena
Partner

Published

15 December 2017

A report of the directors has not been prepared as the company is a wholly owned subsidiary of which is incorporated in Botswana

Directors' Responsibilities and Approval

The directors are required by the Companies Act of Botswana, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the society 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 the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditor's is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities 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 society 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 society and all employees are required to maintain the highest ethical standards in ensuring the society's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the society is on identifying, assessing, managing and monitoring all known forms of risk across the society. While operating risk cannot be fully eliminated, the society 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 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 society's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, they are satisfied that the society has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor's are responsible for independently auditing and reporting on the society's financial statements. The financial statements have been examined by the company's external auditor's and their report is presented on page 4.

The financial statements set out on pages 4 to 16, which have been prepared on the going concern basis, were approved by the board of directors on 18 December 2017 and were signed on its behalf by:

Approval of financial statements

P.Monna(Chairperson)	**Kopano Mantswe (Treasurer)**

Statement of Financial Position as at 30 June 2017

	Note(s)	2017 P	2016 P
Assets			
Non-Current Assets			
Property, plant and equipment	2	4 075 222	483 618
Current Assets			
Trade and other receivables	3	6 884 974	6 468 727
Cash and cash equivalents	4	1 755 842	3 216 335
		8 640 816	**9 685 062**
Total Assets		**12 716 038**	**10 168 680**
Equity and Liabilities			
Equity			
Accumulated loss		(908 961)	3 595 316
Liabilities			
Non-Current Liabilities			
Finance lease liabilities		2 133 591	-
Current Liabilities			
Trade and other payables	5	1 091 270	776 094
Provisions	6	10 400 138	5 797 270
		11 491 408	**6 573 364**
Total Liabilities		**13 624 999**	**6 573 364**
Total Equity and Liabilities		**12 716 038**	**10 168 680**

Statement of Financial Performance

	Note(s)	2017 P	2016 P
Revenue	7	10 008 550	10 774 409
Cost of sales	8	(6 196 074)	(3 145 433)
Gross profit		**3 812 476**	**7 628 976**
Other income	9	78 844	105 792
Operating expenses		(8 273 058)	(7 147 112)
Operating (loss) profit		**(4 381 738)**	**587 656**
Investment revenue		3 504	120 698
Finance costs		(119 622)	-
(Loss) profit for the year		**(4 497 856)**	**708 354**

Statement of Comprehensive Income

	Note(s)	2017 P	2016 P
(Loss) profit for the year		**(4 497 856)**	**708 354**
Other comprehensive income		-	-
Total comprehensive (loss) income		**(4 497 856)**	**708 354**

Statement of Changes in Equity

	Accumulated loss P	Total equity P
Balance at 01 July 2015	**2 886 962**	**2 886 962**
Profit for the year	708 354	708 354
Other comprehensive income	-	-
Total comprehensive income for the year	**708 354**	**708 354**
Balance at 01 July 2016	**3 595 316**	**3 595 316**
Loss for the year	(4 497 856)	(4 497 856)
Other comprehensive income	-	-
Total comprehensive loss for the year	**(4 497 856)**	**(4 497 856)**
Movement in Retained Earnings	(6 421)	(6 421)
Total changes	**(6 421)**	**(6 421)**
Balance at 30 June 2017	**(908 961)**	**(908 961)**

Note(s)

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(Registration number CO2008/3322)
Financial Statements for the year ended 30 June 2017

Statement of Cash Flows

	Note(s)	2017 P	2016 P
Cash flows from operating activities			
Cash generated from (used in) operations	10	322 150	(2 172 392)
Interest income		3 504	120 698
Finance costs		(119 622)	-
Net cash from operating activities		**206 032**	**(2 051 694)**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(3 800 116)	(51 890)
Sale of property, plant and equipment	2	-	98 803
Sale of financial assets		-	(98)
Net cash from investing activities		**(3 800 116)**	**46 815**
Cash flows from financing activities			
Finance lease payments		2 133 591	-
Total cash movement for the year		**(1 460 493)**	**(2 004 879)**
Cash at the beginning of the year		3 216 335	5 221 214
Total cash at end of the year	4	**1 755 842**	**3 216 335**

Accounting Policies

1. Presentation of financial statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of Botswana. The financial statements have been prepared on the historical cost basis, except for biological assets at fair value less point of sale costs, and incorporate the principal accounting policies set out below. They are presented in Pula.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

Land is not depreciated

The residual value, depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

1.2 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price (including transaction costs except in the initial measurement of financial assets and liabilities that are measured at fair value through profit or loss) unless the arrangement constitutes, in effect, a financing transaction in which case it is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. Those debt instruments which meet the criteria in section 11.8(b) of the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

1.3 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Accounting Policies

1.3 Leases (continued)

Operating leases - lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term unless:
- another systematic basis is representative of the time pattern of the benefit from the leased asset, even if the receipt of payments is not on that basis, or
- the payments are structured to increase in line with expected general inflation (based on published indexes or statistics) to compensate for the lessor's expected inflationary cost increases.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

1.4 Impairment of assets

The society assesses at each reporting date whether there is any indication that property, plant and equipment or intangible assets or goodwill may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.5 Share capital and equity

If the Society reacquires its own equity instruments, those instruments are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the society's own equity instruments. Consideration paid or received shall be recognised directly in equity.

1.6 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected unit credit method.

Past service costs are recognised immediately as an expense.

Actuarial gains or losses are recognised in other comprehensive income.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised in profit or loss when the society is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the statement of income and retained earnings, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

Accounting Policies

1.6 Employee benefits (continued)

Termination benefits

Termination benefits are recognised as an expense with its resulting liability when the entity is demonstrably committed either:

- to terminate the employment of an employee or group of employees before the normal retirement date; or
- to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date.

1.7 Provisions and contingencies

Provisions are recognised when the society has an obligation at the reporting date as a result of a past event; it is probable that the society will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Provisions are not recognised for future operating losses.

1.8 Revenue

Revenue is recognised to the extent that the society has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of revenue can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the society. Revenue is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

Service revenue is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest is recognised, in profit or loss, using the effective interest rate method.

Royalties are recognised on the accrual basis in accordance with the substance of the relevant agreements.

1.9 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Financial Statements

	2017 P	2016 P

2. Property, plant and equipment

	2017			2016		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	3 757 823	-	3 757 823	-	-	-
Furniture and fixtures	142 775	(70 080)	72 695	134 172	(55 871)	78 301
Motor vehicles	598 163	(402 063)	196 100	598 163	(254 146)	344 017
IT equipment	307 291	(259 337)	47 954	285 796	(226 121)	59 675
Property, plant and equipment 1	6 500	(5 850)	650	6 500	(4 875)	1 625
Total	**4 812 552**	**(737 330)**	**4 075 222**	**1 024 631**	**(541 013)**	**483 618**

Reconciliation of property, plant and equipment - 2017

	Opening balance	**Additions**	**Other changes, movements**	**Depreciation**	**Total**
Buildings	-	3 757 823	-	-	3 757 823
Furniture and fixtures	78 301	8 603	(17)	(14 192)	72 695
Motor vehicles	344 017	-	-	(147 917)	196 100
IT equipment	59 675	33 690	(12 196)	(33 215)	47 954
other fixed assets	1 625	-	-	(975)	650
	483 618	**3 800 116**	**(12 213)**	**(196 299)**	**4 075 222**

Reconciliation of property, plant and equipment - 2016

	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Total**
Furniture and fixtures	90 634	-	-	(12 333)	78 301
Motor vehicles	494 285	-	(43 742)	(106 526)	344 017
IT equipment	95 607	51 890	-	(87 822)	59 675
Other fixed assets	2 600	-	-	(975)	1 625
	683 126	**51 890**	**(43 742)**	**(207 656)**	**483 618**

3. Trade and other receivables

	2017	2016
Trade receivables	6 724 051	6 381 362
Employee costs in advance	99 000	-
Prepayments (if immaterial)	43 923	69 365
Deposits	18 000	18 000
	6 884 974	**6 468 727**

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017	2016
Cash on hand	3 162	3 135
Bank balances	1 752 680	3 213 200
	1 755 842	**3 216 335**

Notes to the Financial Statements

	2017 P	2016 P

5. Trade and other payables

	2017	2016
Trade payables	483 648	290 970
Other payables	600 000	680 710
Accrued expense	-	(196 321)
Deposits received	7 622	735
	1 091 270	**776 094**

6. Provisions

Reconciliation of provisions - 2017

	Opening balance	Additions	Utilised during the year	Adjusted DBS	Total
Provisions for employee benefits	-	11 394	540	-	11 934
Provision for Royalties	4 624 435	2 696 074	(1 020 765)	3 500 000	9 799 744
Provision	1 172 835	588 460	(1 172 835)	-	588 460
	5 797 270	**3 295 928**	**(2 193 060)**	**3 500 000**	**10 400 138**

Reconciliation of provisions - 2016

	Opening balance	Additions	Total
Provision for Royalties	2 203 254	2 421 181	4 624 435
Provision	535 759	637 076	1 172 835
	2 739 013	**3 058 257**	**5 797 270**

7. Revenue

	2017	2016
Revenue	10 008 550	10 774 409

8. Cost of sales

	2017	2016
Sale of goods		
Cost of goods sold	2 696 074	3 145 433
DBS	3 500 000	-
	6 196 074	**3 145 433**

9. Other income

	2017	2016
Profit and loss on sale of assets and liabilities	-	55 061
Rental income	26 344	-
Other income	52 500	50 731
	78 844	**105 792**

Notes to the Financial Statements

10. Cash generated from (used in) operations

	2017 P	2016 P
(Loss) profit before taxation	(4 497 856)	708 354
Adjustments for:		
Depreciation and amortisation	196 299	207 656
Profit on sale of assets	-	(54 963)
Interest received	(3 504)	(120 698)
Finance costs	119 622	-
Movements in provisions	4 602 868	3 058 257
Other non-cash items	5 792	-
Changes in working capital:		
Trade and other receivables	(416 247)	(6 032 996)
Trade and other payables	315 176	61 998
	322 150	**(2 172 392)**

Detailed Income Statement

	Note(s)	2017 P	2016 P
Revenue			
Revenue		10 008 550	10 774 409
Cost of sales			
Purchases		(6 196 074)	(3 145 433)
Gross profit		**3 812 476**	**7 628 976**
Other income			
Rental income		26 344	-
Sundry income		52 500	50 731
Interest received		3 504	120 698
Gains on disposal of assets		-	55 061
		82 348	**226 490**
Expenses (Refer to page 16)		**(8 273 058)**	**(7 147 112)**
Operating (loss) profit		**(4 378 234)**	**708 354**
Finance costs		(119 622)	-
(Loss) profit for the year		**(4 497 856)**	**708 354**

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

Detailed Income Statement

	Note(s)	2017 P	2016 P
Operating expenses			
Accounting fees		(35 700)	(36 318)
Administration and management fees		(8 385)	(8 343)
Advertising		(225 856)	(201 204)
Bank charges		(21 972)	(14 005)
Cleaning		(30 948)	(20 434)
Consulting and professional fees 1		-	(156 500)
Consulting and professional fees 2		-	(41 264)
Debt collection		(4 439)	-
Depreciation, amortisation and impairments		(196 299)	(207 656)
Employee costs		(3 792 556)	(3 517 381)
Entertainment		(33 954)	-
Swipping Machine		(3 634)	(2 022)
Membership expenses		(256 293)	(57 369)
Leave days Expenses		(116 792)	(117 985)
Staff Pension		(169 063)	(112 041)
Board Expenses		(285 591)	(118 661)
Monitoring Expenses		(1 403 619)	(1 607 687)
MITI Games		-	(31 843)
Licencing Expenses		(24 211)	(16 660)
IT expenses		(36 429)	(6 992)
Insurance		(74 208)	(51 521)
Lease rentals on operating lease		(368 960)	(335 412)
Legal expenses		(682 987)	(67 044)
Levies		(21 379)	(11 319)
Medical expenses		(77 941)	(71 235)
Motor vehicle expenses		(12 775)	(5 588)
Cultural & Social Fund		(948)	-
Petrol and oil		(35 910)	(30 306)
Printing and stationery		(81 439)	(65 221)
Profit and loss on sale of assets and liabilities		-	(98)
Repairs and maintenance		(3 138)	(7 742)
Security		(4 678)	(4 988)
Staff welfare		(65 280)	(11 243)
Subscriptions		-	(7 651)
Telephone and fax		(161 078)	(121 584)
Training		(21 111)	(35 668)
Travel - local and international		(15 485)	(46 127)
		(8 273 058)	**(7 147 112)**

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