

**Copyright Society of Botswana  
(Registration number BW00000230497)  
Annual Financial Statements  
for the year ended 30 June 2021**

# Copyright Society of Botswana

(Registration number BW00000230497)

Annual Financial Statements for the year ended 30 June 2021

## General Information

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<b>Country of incorporation and domicile</b>	Botswana
<b>Nature of business and principal activities</b>	The Copyright Society of Botswana was established and has been mandated by the Copyright and Neighbouring Rights Act - CAP 68:02 of 2006 to among others to license and collect royalties from users of copyright protected works, to distribute them to copyright owners.
<b>Directors</b>	Bakalanga Mahoko Patrick Setsiba Winnie Winani Sekani Alfred Morwaledi Mosimanegape Moletlanye Mphoeng Mpho Motlhasedi Benjamin Mogotsi Kabelo Eric Kgaodi Ookeditse Moyambo Kelebonye Sibanyoni Martin Ntongana
<b>Registered office</b>	Plot 93, Unit 1, Gaborone International Finance Park Gaborone, Botswana
<b>Postal address</b>	Private Bag B075, Gaborone, Botswana
<b>Bankers</b>	Bank of Baroda Bank Gaborone Absa Bank Botswana First National Bank of Botswana Stanbic Bank Botswana
<b>Auditors</b>	Maemo SD Mesotlo & Associates BICA Member Firm: MeFBW17014 Unit 05F, First Floor, Plot 145, Lake View Office Park Gaborone International Finance Park P O Box 604 AAH, CBD Gaborone, Botswana
<b>Secretary</b>	Baker Tilly Botswana
<b>Legal advisors</b>	Akoonyatse Law Firm Ndawana Dubani & Company The Jones Moitshepi Firm
<b>Company registration number</b>	BW00000230497
<b>Incorporation date</b>	29 May 2008
<b>Currency</b>	Botswana Pula

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

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# Copyright Society of Botswana

(Registration number BW00000230497)

Annual Financial Statements for the year ended 30 June 2021

## Directors' Responsibilities and Approval

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The directors are required in terms of the Companies Act 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 company 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 company 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 company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

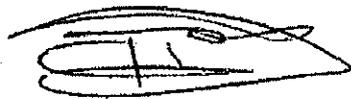
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2022 and, in light of this review and the current financial position, they are satisfied that the company 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 company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 2 - 03 - 2022 and were signed on their behalf by:

### Approval of financial statements



Bakalanga Mahoko (Board Chairperson)



Winnie Winani Sekani (Treasurer)

# Copyright Society of Botswana

(Registration number BW00000230497)

Annual Financial Statements for the year ended 30 June 2021

## Directors' Report

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The directors have pleasure in submitting their report on the annual financial statements of Copyright Society of Botswana for the year ended 30 June 2021.

### 1. Incorporation

The company is domiciled in Botswana where it is incorporated as a private company limited by guarantee under the Companies Act. The address of the registered office is set out on page 1.

### 2. Nature of business

The Copyright Society of Botswana was established and has been mandated by the Copyright and Neighbouring Rights Act - CAP 68:02 of 2006 to among others to license and collect royalties from users of copyright protected works, to distribute them to copyright owners.

There have been no material changes to the nature of the company's business from the prior year.

### 3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

### 4. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Changes
Bakalanga Mahoko	Chairperson	Non-executive	Appointed 27 March 2021
Patrick Setsiba	Vice Chairperson	Non-executive	
Winnie Winani Sekani	Treasurer	Non-executive	
Alfred Morwaledi Mosimanegape		Non-executive	
Moletlanye Mphoeng		Non-executive	
Game Goabaone Bantsi		Non-executive	Resigned 27 March 2021
Mpho Motlhasedi		Non-executive	
Benjamin Mogotsi		Non-executive	
Staffnurse Bangu Lesetedi-Keothepile		Non-executive	Resigned 27 March 2021
Tomeletso Sereetsi		Non-executive	Resigned 27 March 2021
Kopano Mantswe		Non-executive	Resigned 27 March 2021
Kabelo Eric Kgaodi		Non-executive	Appointed 27 March 2021
Ookeditse Moyambo		Non-executive	Appointed 27 March 2021
Kelebonye Sibanyoni		Non-executive	Appointed 27 March 2021
Martin Ntongana		Non-executive	Appointed 15 June 2021

### Resignations

Directors	Cause of change	Designation	Date
Game Goabaone Bantsi	Resignation	Non-executive	27 March 2021
Staffnurse Bangu Lesetedi-Keothepile	Resignation	Non-executive	27 March 2021
Tomeletso Sereetsi	Resignation	Non-executive	27 March 2021
Kopano Mantswe	Resignation	Non-executive	27 March 2021

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Directors' Report

### Appointments of directors

Directors	Office	Designation	Date
Bakalanga Mahoko	Chairperson	Non-executive	27 March 2021
Patrick Setsiba	Vice Chairperson	Non-executive	26 August 2017
Winnie Winani Sekani	Treasurer	Non-executive	26 August 2017
Alfred Morwaledi Mosimanegape		Non-executive	26 August 2017
Moletlanye Mphoeng		Non-executive	26 August 2017
Game Goabaone Bantsi		Non-executive	26 August 2017
Mpho Motlhasedi		Non-executive	26 August 2017
Benjamin Mogotsi		Non-executive	26 August 2017
Staffnurse Bangu Lesetedi-Keothepile		Non-executive	26 August 2017
Tomeletso Sereetsi		Non-executive	26 August 2017
Kopano Mantswe		Non-executive	26 August 2017
Kabelo Eric Kgaodi		Non-executive	27 March 2021
Ookeditse Moyambo		Non-executive	27 March 2021
Kelebonye Sibanyoni		Non-executive	27 March 2021

### 5. Events after the reporting period

The directors are aware of the approvals by the Copyright Office at the Companies and Intellectual Property Authority (CIPA) for the distribution of royalties of P4,670,016 and P1,500,000 for Distribution 13 and Distribution 13.5 respectively on 01 November 2021 and 13 August 2021. The directors are also aware of the board resolution, dated 11 November 2021, and CIPA approval, dated 02 December 2021, to distribute royalties amounting to P7,300,000. The CIPA approvals and board resolution are considered adjusting events and they have been adjusted accordingly in the financial statements.

### 6. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the Society has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Society is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors have assessed the ability of the Society to continue as going concern and the impact of COVID-19 pandemic on its operations and have no reason to believe the Society will not continue in operational existence for the foreseeable future.

The ability of the Society to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

### 7. Secretary

The company secretary is Baker Tilly Botswana.

The annual financial statements set out on pages 9 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 02 - 03 2022 and were signed on its behalf by:

### Approval of annual financial statements



Bakalanga Mahoko  
Board Chairperson



Winnie Winani Sekani  
Treasurer

## Independent Auditor's Report

To the Members of Copyright Society of Botswana

### Qualified Opinion

We have audited the annual financial statements of Copyright Society of Botswana set out on pages 9 to 39, which comprise the statement of financial position as at 30 June 2021, statement of profit or loss, statement of changes in equity 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, except for the possible effect of the matters described in the Basis for Qualified Opinion section of our report, the annual financial statements present fairly, in all material respects, the financial position of Copyright Society of Botswana as at 30 June 2021, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Qualified Opinion

#### Revenue and trade receivables

Revenue reflected on the statement of profit or loss of BWP12,209,141 (2020: BWP15,725,051) was not recognised in accordance with the requirements of IFRS 15: *Revenue from Contracts with Customers*. We were therefore unable to determine the accuracy and completeness of revenue reported thereon, and the consequential impact on deferred income recognised on the statement of financial position of BWP5,921,052 (2020: BWP 4,900,000), respectively.

Trade receivables of BWP448,443 (2020: BWP363,892), respectively were not recognised in accordance with the requirements of IFRS 9: *Financial Instruments*, we were therefore unable to determine the appropriate valuation with respect to trade and receivables.

Since revenue and associated trade receivables were not recognised in accordance with the applicable financial reporting standards, we were unable to determine whether all the adjustments necessary to be made in respect of the statement of financial position at 30 June 2021, and the statement of profit or loss and cash flows, for the year then ended, were complete.

There were no alternative audit procedures we could perform to obtain reasonable assurance as to the appropriate recognition of revenue and trade receivables. Management is still in process of evaluating the underlying transactions against the requirements of the relevant accounting standards with a view of developing and implementing accounting policies and procedures that will result in compliance with IFRS 15 and IFRS 9.

#### Royalties` provisions

We were not provided with supporting documentation for a balance of BWP 1,421,778 relating to Distribution 9 and 10 included in the Royalty provisions in the statement of financial position of BWP 19,177,148. Due to the unavailability of supporting documentation, there were no alternative audit procedures we could perform to obtain reasonable assurance as to the completeness and accuracy of Royalty distribution provision. Consequently, we do not express an opinion on the Provision of BWP 19,177,148 reflected in the statement of financial position.

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 company in accordance with the Botswana Institute of Chartered Accountants (BICA) code, which is consistent with International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (Parts 1 and 3) (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 BICA 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 qualified opinion.

# Independent Auditor's Report

## Emphasis of Matter

We draw attention to Note 22 of the annual financial statements which indicates that the company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Financial Reporting Standards. Our opinion is not modified in respect of this matter.

## Other Matter

The annual financial statements of Copyright Society of Botswana for the year ended 30 June 2020 were audited by another auditor, Mompoti Kgaimena of Mamlathan & Associates who expressed an unmodified opinion on those statements on 14 January 2021.

As part of our audit of the 2021 financial statements, we also audited the adjustments described in Note 25 and 26 that were applied to amend the 2020 financial statements. The predecessor auditor reported on the financial statements of the prior period before these adjustments were made. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements taken as a whole.

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Copyright Society of Botswana annual financial statements for the year ended 30 June 2021", which includes the Directors' Report and the supplementary information as set out on pages 40 to 42. The other information does not include the annual financial statements and our auditor's report thereon.

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

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

## Responsibilities of the Directors for the Annual Financial Statements

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

In preparing the annual financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Annual Financial Statements

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

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

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

## Independent Auditor's Report

- 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 company'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 company'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 company 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.



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**Maemo S D Mesotlo**  
**Maemo S D Mesotlo & Associates**  
**Certified Auditors**  
**Practicing member: Maemo Seleke Mesotlo (20120118)**  
**BICA Member Firm: MeFBW17014**

**Gaborone**  
**07 March 2022**

# Copyright Society of Botswana

(Registration number BW00000230497)

Annual Financial Statements for the year ended 30 June 2021

## Statement of Financial Position as at 30 June 2021

Figures in Pula	Note(s)	2021	2020 Restated *
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	180,579	214,623
Right-of-use assets	4	3,913,397	4,210,518
Intangible assets	5	61,147	-
		<b>4,155,123</b>	<b>4,425,141</b>
<b>Current Assets</b>			
Trade and other receivables	6	363,892	448,443
Cash and cash equivalents	7	29,981,525	27,432,528
		<b>30,345,417</b>	<b>27,880,971</b>
<b>Total Assets</b>		<b>34,500,540</b>	<b>32,306,112</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained income		5,875,555	14,572,444
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Lease liabilities	4	2,043,576	2,294,965
<b>Current Liabilities</b>			
Trade and other payables	9	1,231,819	1,966,703
Lease liabilities	4	251,389	220,572
Deferred income	10	5,921,053	4,900,000
Provisions	8	19,177,148	8,351,428
		<b>26,581,409</b>	<b>15,438,703</b>
<b>Total Liabilities</b>		<b>28,624,985</b>	<b>17,733,668</b>
<b>Total Equity and Liabilities</b>		<b>34,500,540</b>	<b>32,306,112</b>

\* See Note 25

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Statement of Profit or Loss

Figures in Pula	Note(s)	2021	2020 Restated *
Revenue	11	12,209,141	15,725,051
Other operating income	13	109,136	1,462,362
Other operating gains (losses)	14	1,058	-
Other operating expenses		(8,917,674)	(8,888,154)
<b>Operating profit</b>	15	<b>3,401,661</b>	<b>8,299,259</b>
Investment income	18	609,380	113,620
Finance costs	19	(213,546)	(198,836)
Royalty distribution	12	(12,493,833)	(4,251,876)
<b>Total (loss) profit for the year</b>		<b>(8,696,338)</b>	<b>3,962,167</b>

\* See Note 25

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Statement of Changes in Equity

Figures in Pula	Retained income	Total equity
Opening balance as previously reported	10,900,268	10,900,268
Adjustments		
Prior year adjustments	(289,991)	(289,991)
<b>Restated* Balance at 01 July 2019 as restated</b>	<b>10,610,277</b>	<b>10,610,277</b>
<b>Total profit for the year</b>	<b>3,962,167</b>	<b>3,962,167</b>
<b>Balance at 01 July 2020</b>	<b>14,571,893</b>	<b>14,571,893</b>
<b>Total Loss for the year</b>	<b>(8,696,338)</b>	<b>(8,696,338)</b>
<b>Balance at 30 June 2021</b>	<b>5,875,555</b>	<b>5,875,555</b>

\* See Note 25

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Statement of Cash Flows

Figures in Pula	Note(s)	2021	2020 Restated *
<b>Cash flows from operating activities</b>			
Cash generated from operations	20	2,463,368	13,170,496
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(28,991)	(577,672)
Disposal of property, plant and equipment	3	1,058	-
Purchase of intangible assets	5	(61,147)	-
<b>Net cash from investing activities</b>		<b>(89,080)</b>	<b>(577,672)</b>
<b>Cash flows from financing activities</b>			
Payment on lease liabilities		(220,572)	(333,495)
Interest income		609,380	113,620
Finance costs		(213,546)	(198,836)
<b>Net cash from financing activities</b>		<b>175,262</b>	<b>(418,711)</b>
<b>Total cash movement for the year</b>		<b>2,549,550</b>	<b>12,174,113</b>
Cash at the beginning of the year		27,432,528	15,258,415
<b>Total cash at end of the year</b>	7	<b>29,982,078</b>	<b>27,432,528</b>

\* See Note 25

# Copyright Society of Botswana

(Registration number BW00000230497)

Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### Corporate information

Copyright Society of Botswana is company limited by guarantee incorporated and domiciled in Botswana.

The Copyright Society of Botswana was established and has been mandated by the Copyright and Neighbouring Rights Act - CAP 68:02 of 2006 to among others to license and collect royalties from users of copyright protected works, to distribute them to copyright owners.

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Pulas, which is the company's functional currency.

These accounting policies are consistent with the previous period, except for the changes set out in note 22 International Financial Reporting Standards.

#### 1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

#### Key sources of estimation uncertainty

The annual financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

#### 1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. 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:

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Item	Depreciation method	Average useful life
Buildings	Straight line	2.5%
Furniture and fixtures	Straight line	10%
Motor vehicles	Straight line	25%
Office equipment	Straight line	15%
IT equipment	Straight line	25%

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.

The depreciation charge for each year is recognised in profit or loss.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

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.

### 1.4 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

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

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Item	Depreciation method	Average useful life
Computer software	Straight line	4 years

### 1.5 Financial instruments

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

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

Financial liabilities:

- Amortised cost

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Accounting Policies

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### 1.5 Financial instruments (continued)

Note 27 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

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

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### 1.5 Financial instruments (continued)

#### Trade and other receivables

##### Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

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

##### Recognition and measurement

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

They are subsequently measured at amortised cost.

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

##### Impairment

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

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

##### Measurement and recognition of expected credit losses

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality. Details of the provision matrix is presented in note 6.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 15).

##### Write off policy

The company writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. After 1 year, the circumstances of the account and collection efforts will be submitted to Board with appropriate recommendations. Where account receivables cannot be collected a full provision is made and details are submitted to Board with full recommendations. Any recoveries made are recognised in profit or loss.

##### Credit risk

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note (note 27).

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### 1.5 Financial instruments (continued)

#### Derecognition

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

#### Trade and other payables

##### Classification

Trade and other payables (note 9), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

##### Recognition and measurement

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

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 19).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 27 for details of risk exposure and management thereof.

#### Derecognition

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

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost and stated at carrying amount which is deemed to be fair value.

### 1.6 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.

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## Accounting Policies

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### 1.6 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 15) 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).

Details of leasing arrangements where the company is a lessee are presented in note 4 Leases (company as lessee).

#### Lease liability

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 4).

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 19).

The company remeasures the lease liability, when applicable, in accordance with the following table:

<b>Lease liability remeasurement scenario</b>	<b>Lease liability remeasurement methodology</b>
Change to the lease term.	- discounting the revised lease payments using a revised discount rate.
Change in the assessment of whether the company will exercise a purchase, termination or extension option.	- discounting the revised lease payments using a revised discount rate.
Change to the lease payments as a result of a change in an index or a rate.	- 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);
Change in expected payment under a residual value guarantee.	- discounting the revised lease payments using the initial discount rate.
Lease contract has been modified and the lease modification is not accounted for as a separate lease.	- discounting the revised payments using a revised discount rate.

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

#### Right-of-use assets

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

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## Accounting Policies

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### 1.6 Leases (continued)

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.

### 1.7 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss.

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### 1.8 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 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 contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the company's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The Copyright and Neighbouring Act requires COSBOTS to distribute royalties to owners of the copyright, of which the distribution should be made within the scheduled dates stipulated in the Membership and Distribution rules thus creating an obligation to be honoured annually. The Board of Directors proposes, through resolutions, an amount to be distributed to the members. The amount remains a proposal until approved by the Copyright Office at Companies and Intellectual Property Authority (CIPA).

Provisions are not recognised for future operating losses.

Contingent assets and contingent liabilities are not recognised.

### 1.10 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Income from licensing and royalty operations

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue to the extent that is probable that the economic benefits will flow to the company and those benefits can be measured reliably. License fees are based on license assessments for the use of copyrighted work. Revenue is considered to be earned over time as and when the users make use of the copyrighted work over the licensed period. Payments received in advance beyond the fee for the licensed period are treated as deferred income.

Revenue recognition follows a five-step model framework as follows:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

### 1.11 Royalty distributions

This amount represents net revenue from license revenue available in royalty distributions. Royalty distributions are standard processes, whereby net licence income from the licensing of public performance, broadcast and rights in copyrighted works, owned by those whose rights are administered by COSBOTS is allocated in the form of royalties to those rights holders whose copyrighted works were logged as performed, broadcast or played by licensed users of copyright work during the year.

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### 1.12 Investment revenue

Investment income comprise of interest earned from short-term liquid investments placed with local commercial banks. Interest is recognised on a time proportion basis according to the effective interest rate method which takes into account the effective yield on the asset over the period it is expected to be held. Interest is recognised on an accrual basis.

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### 2. New Standards and Interpretations

#### 2.1 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 July 2021 or later periods:

<b>Standard/ Interpretation:</b>	<b>Effective date: Years beginning on or after</b>	<b>Expected impact:</b>
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	01 January 2009	Unlikely there will be a material impact
• Classification of Liabilities as Current or Non-Current - Amendment to IAS 1	01 January 2023	Unlikely there will be a material impact
• IFRS 17 Insurance Contracts	01 January 2023	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 1	01 January 2022	Unlikely there will be a material impact
• Reference to the Conceptual Framework: Amendments to IFRS 3	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IFRS 9	01 January 2022	Unlikely there will be a material impact
• Property, Plant and Equipment: Proceeds before Intended Use: Amendments to IAS 16	01 January 2022	Unlikely there will be a material impact
• Onerous Contracts - Cost of Fulfilling a Contract: Amendments to IAS 37	01 January 2022	Unlikely there will be a material impact
• Annual Improvement to IFRS Standards 2018-2020: Amendments to IAS 41	01 January 2022	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 4	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 7	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 9	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IFRS 16	01 January 2021	Unlikely there will be a material impact
• Interest Rate Benchmark Reform - Phase 2: Amendments to IAS 39	01 January 2021	Unlikely there will be a material impact

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### 3. Property, plant and equipment

	2021			2020		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	224,330	(138,301)	86,029	223,214	(118,525)	104,689
Office equipment	37,765	(17,168)	20,597	37,765	(11,503)	26,262
IT equipment	446,871	(372,918)	73,953	440,149	(356,477)	83,672
<b>Total</b>	<b>708,966</b>	<b>(528,387)</b>	<b>180,579</b>	<b>701,128</b>	<b>(486,505)</b>	<b>214,623</b>

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

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	104,689	1,115	(19,775)	86,029
Office equipment	26,262	-	(5,665)	20,597
IT equipment	83,672	27,876	(37,595)	73,953
	<b>214,623</b>	<b>28,991</b>	<b>(63,035)</b>	<b>180,579</b>

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

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	101,322	25,444	(22,077)	104,689
Office equipment	31,927	-	(5,665)	26,262
IT equipment	53,309	75,483	(45,120)	83,672
	<b>186,558</b>	<b>100,927</b>	<b>(72,862)</b>	<b>214,623</b>

#### Property, plant and equipment encumbered as security

The following assets have been encumbered as security for the finance leases :

Land and buildings	3,409,119	3,503,801
Motor vehicles	504,278	706,717

Security held:

Land and buildings

- 1st Continuing Covering Mortgage Bond for BWP 2,153,000 over Plot 93 Sectional Unit Lease Area 1007-KO GICP, Gaborone Commercial (900 sqm)
2. Registered Cession of Fire Policy for BWP 2,300,00.00.

Motor vehicles

1. Wesbank has a financial interest over the following vehicles: Toyota Corrola Quest CVT, Isuzu D-Max 250 D/CAB X-rider and 2019 Toyota Fortuner 2.4 GD6.

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

### 4. Leases (company as lessee)

The company has purchased land & buildings and motor vehicles under a finance lease arrangement.

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### 4. Leases (company as lessee) (continued)

Details pertaining to leasing arrangements, where the company is lessee are presented below:

#### 1. Bank Gaborone finance lease

The finance is payable over 180 months at equal installments of about BWP 23,799.24 at prime plus 3% interest rate compounded, and calculated daily on the outstanding loan balance, and debited to the loan account on a monthly basis in arrears.

#### 2. Wesbank finance lease

The company has purchased motor vehicles through the Wesbank finance lease arrangement. The average lease term is 5 years (2020: 5 years) at an average rate of 9.25% (2020: 9.25%).

### Net carrying amounts of right-of-use assets

The carrying amounts of right-of-use assets are as follows:

Buildings	3,409,119	3,503,801
Motor vehicles	504,278	706,717
	<b>3,913,397</b>	<b>4,210,518</b>

### Additions to right-of-use assets

Motor vehicles	-	476,745
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### 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 (note 15), as well as depreciation which has been capitalised to the cost of other assets.

Buildings	94,683	94,683
Motor vehicles	202,440	96,102
	<b>297,123</b>	<b>190,785</b>

### Other disclosures

Interest expense on lease liabilities	213,546	198,836
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### Lease liabilities

The maturity analysis of lease liabilities is as follows:

Within one year	475,004	470,979
Two to five years	1,818,172	2,000,396
More than five years	1,230,601	1,516,192
	<b>3,523,777</b>	<b>3,987,567</b>
Less finance charges component	(1,228,812)	(1,472,030)
	<b>2,294,965</b>	<b>2,515,537</b>
Non-current liabilities	2,043,576	2,294,965
Current liabilities	251,389	220,572
	<b>2,294,965</b>	<b>2,515,537</b>

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### 5. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	61,147	-	61,147	-	-	-

### Reconciliation of intangible assets - 2021

	Opening balance	Additions	Total
Computer software	-	61,147	61,147

### 6. Trade and other receivables

#### Financial instruments:

Trade receivables	303,418	352,844
Deposits	880	880
Insurance	51,076	38,493

#### Non-financial instruments:

Employee costs in advance	8,518	56,226
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#### Total trade and other receivables

**363,892**      **448,443**

### Split between non-current and current portions

Current assets	363,892	448,443
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### Financial instrument and non-financial instrument components of trade and other receivables

At amortised cost	355,374	392,217
Non-financial instruments	8,518	56,226
	<b>363,892</b>	<b>448,443</b>

### 7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	5,671	4,985
Current accounts	6,538,992	499,893
Call accounts	7,724,483	11,820,156
Fixed deposit accounts	15,712,379	15,107,494
	<b>29,981,525</b>	<b>27,432,528</b>

Surplus funds are invested in local commercial banks (First National Bank of Botswana, Absa Bank, Bank of Baroda and Bank Gaborone) which comprise of fixed deposits. The interest earned is at an effective interest rate of 3.30% (2020: 3.30%). The proportionate amount of interest up to 30 June is added to the cost of investment to approximate fair value.

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### 8. Provisions

#### Reconciliation of provisions - 2021

	Opening balance	Additions	Utilised during the year	Change in estimate	Total
Royalty distributions	8,351,428	7,964,375	(986,585)	3,693,833	19,023,051
Social and cultural funds	-	835,625	(681,528)	-	154,097
	<b>8,351,428</b>	<b>8,800,000</b>	<b>(1,668,113)</b>	<b>3,693,833</b>	<b>19,177,148</b>

#### Reconciliation of provisions - 2020

	Opening balance	Additions	Utilised during the year	Change in estimate	Total
Royalty distributions	5,280,794	3,070,634	-	-	8,351,428
Legal provision	1,491,487	-	(141,107)	(1,350,380)	-
	<b>6,772,281</b>	<b>3,070,634</b>	<b>(141,107)</b>	<b>(1,350,380)</b>	<b>8,351,428</b>

The royalty distribution provision represents management's best estimate of the company's liability towards the owners of copyrighted work. The distributable amount is determined by deducting administrative expenses, contributions to social and cultural fund and other provisions from gross revenue, and then management through an annual budget proposes the amount to the Board of Directors. The Board of Directors through a resolution makes the final decision on the distributable amount. The actual timing and amount of the distribution remains uncertain until it is approved by the Copyright Office.

### 9. Trade and other payables

#### Financial instruments:

Trade payables	380,015	469,640
Payroll accruals	819,991	1,311,509

#### Non-financial instruments:

VAT	31,813	185,554
	<b>1,231,819</b>	<b>1,966,703</b>

#### Financial instrument and non-financial instrument components of trade and other payables

At amortised cost	1,200,006	1,781,149
Non-financial instruments	31,813	185,554
	<b>1,231,819</b>	<b>1,966,703</b>

### 10. Deferred income

Revenue is considered to be earned over time as and when the users make use of the copyrighted work over the licensed period. Payments received in advance beyond the fee for the licensed period are treated as deferred income. Significant portion of the deferred income is from Department of Broadcasting Services.

Deferred income during the year is P5,921,053 (2020: 4,900,000).

### 11. Revenue

#### Revenue from contracts with customers

Royalty income	12,209,141	15,725,051
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<b>11. Revenue (continued)</b>		
<b>Disaggregation of revenue from contracts with customers</b>		
The company disaggregates revenue from customers as follows:		
<b>Royalty income</b>		
Royalty income	12,209,141	15,725,051
<b>Timing of revenue recognition</b>		
<b>Over time</b>		
Royalty income	12,209,141	15,725,051
<b>12. Royalty distributions</b>		
Royalty distributions	8,800,000	4,251,876
Change in provisions estimate	3,693,833	-
<b>13. Other operating income</b>		
Rental income	22,811	91,302
Other income	86,325	20,680
Legal provision - reversal	-	1,350,380
	<b>109,136</b>	<b>1,462,362</b>

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<b>14. Other operating gains (losses)</b>		
<b>Gains (losses) on disposals of assets</b>		
Property, plant and equipment	3	1,058
		-
<b>15. Operating profit (loss)</b>		
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
<b>Auditor's remuneration - external</b>		
Audit fees	60,500	55,000
<b>Remuneration, other than to employees</b>		
Administrative and managerial services	3,001	9,043
Consulting and professional services	420,835	644,629
	<b>423,836</b>	<b>653,672</b>
<b>Employee costs</b>		
Salaries, wages, bonuses and other benefits	3,914,569	3,653,419
Non-Executive Directors Fees	710,520	474,091
Retirement benefit plans: defined contribution expense	138,714	172,100
Gratuity	409,405	431,390
Termination benefits	3,331	4,544
<b>Total employee costs</b>	<b>5,176,539</b>	<b>4,735,544</b>
<b>Leases</b>		
<b>Operating lease charges</b>		
Premises	93,046	21,841
<b>Depreciation and amortisation</b>		
Depreciation of property, plant and equipment	63,035	72,862
Depreciation of right-of-use assets	297,123	190,785
<b>Total depreciation and amortisation</b>	<b>360,158</b>	<b>263,647</b>
<b>Expenses by nature</b>		
The total of royalty distributions, employee costs, marketing expenses, general and administrative expenses, maintenance expenses and other operating expenses are analysed by nature as follows:		
Royalty distributions	12,493,833	4,251,876
Employee costs	5,176,539	4,735,544
Lease expenses	93,046	21,841
Depreciation	360,158	263,647
Operating expenses	3,287,931	3,867,122
	<b>21,411,507</b>	<b>13,140,030</b>

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

Figures in Pula	2021	2020
<b>16. Employee costs</b>		
<b>Employee costs</b>		
Basic	3,700,838	3,468,909
Medical aid - company contributions	101,443	141,803
Leave pay provision charge	112,288	42,707
Non-Executive Directors Fees	710,520	474,091
Retirement benefit plans	138,714	172,100
Gratuity	409,405	431,390
Termination benefits	3,331	4,544
	<b>5,176,539</b>	<b>4,735,544</b>
<b>17. Depreciation</b>		
<b>Depreciation</b>		
Property, plant and equipment	63,035	72,862
Right-of-use assets	297,123	190,785
	<b>360,158</b>	<b>263,647</b>
<b>18. Investment income</b>		
<b>Interest income</b>		
<b>Investments in financial assets:</b>		
Bank fixed deposits	609,380	113,620
<b>19. Finance costs</b>		
Lease liabilities	213,546	198,836
<b>20. Cash generated from operations</b>		
Loss before taxation	(8,696,338)	3,962,167
<b>Adjustments for:</b>		
Depreciation and amortisation	360,158	263,647
Gains on disposals of assets	(1,058)	-
Interest income	(609,380)	(113,620)
Finance costs	213,546	198,836
Movements in provisions	10,825,720	772,491
<b>Changes in working capital:</b>		
Trade and other receivables	84,551	1,429,724
Trade and other payables	(734,884)	1,757,251
Deferred income	1,021,053	4,900,000
	<b>2,463,368</b>	<b>13,170,496</b>

Total interest expense calculated using the effective interest rate, on financial instruments not at fair value through profit or loss amounted to P 213,546 (2020: P 198,836).

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Cash flows	Closing balance
Finance lease liabilities	2,515,537	(220,572)	2,294,965
<b>Total liabilities from financing activities</b>	<b>2,515,537</b>	<b>(220,572)</b>	<b>2,294,965</b>

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

	Opening balance	Cash flows	Closing balance
Finance lease liabilities	2,182,042	333,495	2,515,537
<b>Total liabilities from financing activities</b>	<b>2,182,042</b>	<b>333,495</b>	<b>2,515,537</b>

### 22. First-time adoption of International Financial Reporting Standards

The company has applied IFRS 1, First-time adoption of International Financial Reporting Standards, to provide a starting point for the reporting under International Reporting and Accounting Standards. On principle these standards have been applied retrospectively and the 2020 comparatives contained in these annual financial statements do not differ from those published in the annual financial statements published for the year ended 30 June 2021.

The date of transition was 1 July 2020 and there is no material effect of the transition on the financial statements.

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## Notes to the Annual Financial Statements

Figures in Pula

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### 23. Related parties

#### Relationships

Non-Executive Director

Bakalanga Mahoko

Non-Executive Director

Patrick Setsiba

Non-Executive Director

Winnie Winani Sekani

Non-Executive Director

Alfred Morwaledi Mosimanegape

Non-Executive Director

Moletlanye Mphoeng

Non-Executive Director (Resigned)

Game Goabaone Bantsi

Non-Executive Director

Mpho Matlhasedi

Non-Executive Director

Benjamin Mogotsi

Non-Executive Director (Resigned)

Staffnurse Bangu LesetediKeothepile

Non-Executive Director (Resigned)

Tomeletso Sereetsi

Non-Executive Director (Resigned)

Kopano Mantswe

Non-Executive Director

Kabelo Eric Kgaodi

Non-Executive Director

Ookeditse Moyambo

Non-Executive Director

Kelebonye Sibanyoni

Non-Executive Director

Martin Ntongana

#### Compensation to directors and other key management

Short-term employee benefits

3,029,178

4,084,803

Post-employment benefits - Pension - Defined contribution plan

10,905

172,100

Long-term benefits - incentive scheme

409,405

431,390

**3,449,488**

**4,688,293**

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## Notes to the Annual Financial Statements

Figures in Pula	2021	2020
<b>24. Directors' emoluments</b>		
<b>Non-executive</b>		
<b>2021</b>		
Directors' emoluments	Directors fees	Total
<b>Services as director or prescribed officer</b>		
Bakalanga Mahoko	60,500	60,500
Patrick Setsiba	80,750	80,750
Winnie Winani Sekani	66,750	66,750
Alfred Morwaledi Mosimanegape	77,250	77,250
Moletlanye Mphoeng	76,500	76,500
Game Goabaone Bantsi	23,500	23,500
Mpho Motlhasedi	57,000	57,000
Benjamin Mogotsi	50,000	50,000
Staffnurse Bangu Lesetedi-Keothepile	77,460	77,460
Tomeletso Sereetsi	19,000	19,000
Kopano Mantswe	28,750	28,750
Kabelo Eric Kgaodi	33,250	33,250
Ookeditse Moyambo	31,750	31,750
Kelebonye Sibanyoni	30,000	30,000
<b>2020</b>		
Directors' emoluments	Directors fees	Total
<b>Services as director or prescribed officer</b>		
Patrick Setsiba	29,739	29,739
Alfred Morwaledi Mosimanegape	33,979	33,979
Moletlanye Mphoeng	21,565	21,565
Game Goabaone Bantsi	23,598	23,598
Mpho Motlhasedi	84,287	84,287
Benjamin Mogotsi	34,340	34,340
Staffnurse Bangu Lesetedi-Keothepile	18,905	18,905
Tomeletso Sereetsi	15,315	15,315
Kopano Mantswe	66,649	66,649
<b>25. Prior period errors</b>		
1. Computer software was not recognised in accordance with the applicable requirements of IAS 38: Intangible Assets.		
2. The following balances were understated based on the available underlying supporting documentation:		
i. VAT payable of P228,844;		
ii. Gratuity provision of P41,481; and,		
iii. Interest income of P107,494.		
The correction of the error(s) results in adjustments as follows:		
<b>Statement of Financial Position</b>		
Property, plant and equipment	-	(45,860)
Cash and cash equivalents	-	107,494
Trade & other payables	-	(209,178)
Opening retained earnings	-	228,844

# Copyright Society of Botswana

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## Notes to the Annual Financial Statements

Figures in Pula 2021 2020

### 25. Prior period errors (continued)

#### Profit or Loss

Employee costs	-	41,481
Interest income	-	(107,494)
Depreciation	-	(15,287)

### 26. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification are as follows:

#### Statement of Financial Position

Finance leases - non-current portion	-	220,572
Finance leases - current portion	-	(220,572)

#### Profit or Loss

Depreciation - Right-of-Use Assets	-	190,785
Depreciation - Property, plant and equipment	-	(190,785)

### 27. Financial instruments and risk management

#### Categories of financial instruments

#### Categories of financial assets

##### 2021

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	355,374	355,374	355,374
Cash and cash equivalents	7	29,981,525	29,981,525	29,981,525
		<b>30,336,899</b>	<b>30,336,899</b>	<b>30,336,899</b>

##### 2020

	Note(s)	Amortised cost	Total	Fair value
Trade and other receivables	6	392,217	392,217	392,217
Cash and cash equivalents	7	27,432,528	27,432,528	-
		<b>27,824,745</b>	<b>27,824,745</b>	<b>392,217</b>

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Categories of financial liabilities

#### 2021

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	9	1,200,006	-	1,200,006	1,200,006
Finance lease obligations	4	-	2,294,965	2,294,965	-
		<b>1,200,006</b>	<b>2,294,965</b>	<b>3,494,971</b>	<b>1,200,006</b>

#### 2020

	Note(s)	Amortised cost	Leases	Total	Fair value
Trade and other payables	9	1,781,149	-	1,781,149	1,720,002
Finance lease obligations	4	-	2,515,537	2,515,537	-
		<b>1,781,149</b>	<b>2,515,537</b>	<b>4,296,686</b>	<b>1,720,002</b>

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## Notes to the Annual Financial Statements

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

#### Pretax gains and losses on financial instruments

#### Gains and losses on financial assets

#### 2021

	Note(s)	Amortised cost	Total
<b>Recognised in profit or loss:</b>			
Interest income	18	609,380	609,380

#### 2020

	Note(s)	Amortised cost	Total
<b>Recognised in profit or loss:</b>			
Interest income	18	113,620	113,620

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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Figures in Pula		2021	2020
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### 27. Financial instruments and risk management (continued)

#### Gains and losses on financial liabilities

##### 2021

	Note(s)	Leases	Total
<b>Recognised in profit or loss:</b>			
Finance costs	19	(213,546)	(213,546)

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##### 2020

	Note(s)	Leases	Total
<b>Recognised in profit or loss:</b>			
Finance costs	19	(198,836)	(198,836)

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#### Capital risk management

The company's objective when managing capital (finance leases, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

The capital structure and gearing ratio of the company at the reporting date was as follows:

Lease liabilities		2,294,965	2,515,537
Trade and other payables	9	1,231,819	1,966,703
<b>Total borrowings</b>		<b>3,526,784</b>	<b>4,482,240</b>
Cash and cash equivalents	7	(29,981,525)	(27,432,528)
<b>Net borrowings</b>		<b>(26,454,741)</b>	<b>(22,950,288)</b>
Equity		5,875,555	14,572,444

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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

#### Financial risk management

##### Overview

The company is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and

The board of directors has overall responsibility for the establishment and oversight of the company's risk management framework..

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

##### Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

For trade receivables which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instrument. For all other trade receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables.

The maximum exposure to credit risk is presented in the table below:

		2021			2020		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Trade and other receivables	6	355,374	-	355,374	392,217	-	392,217
Cash and cash equivalents	7	29,981,525	-	29,981,525	27,432,528	-	27,432,528
		<b>30,336,899</b>	<b>-</b>	<b>30,336,899</b>	<b>27,824,745</b>	<b>-</b>	<b>27,824,745</b>

##### Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

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

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

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## Notes to the Annual Financial Statements

Figures in Pula				2021	2020	
<b>27. Financial instruments and risk management (continued)</b>						
<b>2021</b>						
		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Lease liabilities		-	1,057,056	986,520	2,043,576	2,043,576
<b>Current liabilities</b>						
Trade and other payables		1,214,714	-	-	1,214,714	1,200,006
Lease liabilities		251,389	-	-	251,389	251,389
		<b>(1,466,103)</b>	<b>(1,057,056)</b>	<b>(986,520)</b>	<b>(3,509,679)</b>	<b>(3,494,971)</b>
<b>2020</b>						
		Less than 1 year	2 to 5 years	Over 5 years	Total	Carrying amount
<b>Non-current liabilities</b>						
Lease liabilities		-	1,136,381	1,158,584	2,294,965	2,294,965
<b>Current liabilities</b>						
Trade and other payables	9	1,720,002	-	-	1,720,002	1,781,149
Lease liabilities		220,672	-	-	220,672	220,572
		<b>(1,940,674)</b>	<b>(1,136,381)</b>	<b>(1,158,584)</b>	<b>(4,235,639)</b>	<b>(4,296,686)</b>

### Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

The debt of the company is comprised of finance leases, which bear interest at fixed rates. Interest rates on all borrowings compare favourably with those rates available in the market.

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

### 28. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the Society has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The Directors have satisfied themselves that the Society is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The Directors have assessed the ability of the Society to continue as going concern and the impact of COVID-19 pandemic on its operations and have no reason to believe the Society will not continue in operational existence for the foreseeable future.

The ability of the company to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the company.

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Notes to the Annual Financial Statements

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Figures in Pula

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### 29. Events after the reporting period

The directors are aware of the approvals by the Copyright Office at the Companies and Intellectual Property Authority (CIPA) for the distribution of royalties of P4,670,016 and P1,500,000 for Distribution 13 and Distribution 13.5 respectively on 01 November 2021 and 13 August 2021. The directors are also aware of the board resolution, dated 11 November 2021, and CIPA approval, dated 02 December 2021, to distribute royalties amounting to P7,300,000. The CIPA approvals and board resolution are considered adjusting events and they have been adjusted accordingly in the financial statements.

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Detailed Income Statement

Figures in Pula	Note(s)	2021	2020 Restated *
<b>Revenue</b>			
Royalty income		12,209,141	15,725,051
<b>Royalty distributions</b>			
Royalty distributions		(12,493,833)	(4,251,876)
<b>Gross (loss) profit</b>		<b>(284,692)</b>	<b>11,473,175</b>
<b>Other operating income</b>			
Rental income		22,811	91,302
Other income		86,325	20,680
Legal provision write-off		-	1,350,380
	13	<b>109,136</b>	<b>1,462,362</b>
<b>Other operating gains (losses)</b>			
Gains on disposal of assets		1,058	-
<b>Expenses (Refer to page 41)</b>		<b>(8,917,674)</b>	<b>(8,888,154)</b>
<b>Operating (loss) profit</b>	15	<b>(9,092,172)</b>	<b>4,047,383</b>
Investment income	18	609,380	113,620
Finance costs	19	(213,546)	(198,836)
<b>Total (loss)/profit for the year</b>		<b>(8,696,338)</b>	<b>3,962,167</b>

\* See Note 25

# Copyright Society of Botswana

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Annual Financial Statements for the year ended 30 June 2021

## Detailed Income Statement

Figures in Pula	Note(s)	2021	2020 Restated *
<b>Other operating expenses</b>			
Administration and management fees		(3,001)	(9,043)
Advertising		(192,895)	(220,354)
Auditors remuneration - external auditors	15	(60,500)	(55,000)
Bad debts		(60,304)	(808,441)
Bank charges		(74,716)	(31,625)
Cleaning		(32,608)	(124,153)
Accounting fees		(165,400)	(151,000)
Consulting fees		(132,282)	(371,693)
Legal fees		(123,153)	(121,936)
Depreciation		(360,158)	(263,647)
Employee costs		(5,176,539)	(4,735,544)
Membership fees		(26,002)	(331,110)
Monitoring expenses		(70,191)	(115,645)
Levies		(75,420)	(41,287)
Board expenses		(799,454)	(131,123)
Social and cultural expenses		(6,102)	(10,000)
Recruitment fees		-	(16,704)
Staff welfare		(145,349)	(46,837)
Fines and penalties		(21,617)	-
Insurance		(76,044)	(61,402)
IT expenses		(269,653)	(138,292)
Lease rentals on operating lease		(93,046)	(21,841)
Levies		(40,106)	-
Motor vehicle expenses		(55,486)	(95,122)
Municipal expenses		(56,207)	(1,121)
Printing and stationery		(217,283)	(120,435)
Repairs and maintenance		(49,527)	(38,855)
Security		(105,806)	(53,913)
Telephone and fax		(258,771)	(168,612)
Training		(86,075)	(168,999)
Travel		(83,979)	(434,420)
		<b>(8,917,674)</b>	<b>(8,888,154)</b>

\* See Note 25

# Copyright Society of Botswana

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## Supplementary Information

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Figures in Pula	2021	2020
<b>Income</b>		
Royalties collected	20,893,703	20,625,051
Interest income	609,380	113,620
Other income	110,194	111,982
Deferred income	(7,011,678)	(4,900,000)
<b>Total Gross Income</b>	<b>14,601,599</b>	<b>15,950,653</b>
<b>Operating expenses</b>		
Administration expenses	(3,741,135)	(2,635,704)
Compensation to directors and other key management	(3,449,488)	(4,688,293)
Employee costs	(1,727,051)	(1,564,157)
Finance charges	(213,546)	(198,836)
<b>Total operating expenses</b>	<b>(9,131,220)</b>	<b>(9,086,990)</b>
<b>Surplus from operations</b>	<b>5,470,379</b>	<b>6,863,663</b>
Social and cultural	(681,528)	-
<b>Available for distribution</b>	<b>4,788,851</b>	<b>6,863,663</b>
Transfer from reserves	<b>2,668,067</b>	-
<b>Net distributable amount</b>	<b>7,456,918</b>	<b>6,863,663</b>