

FINANCE REPORT

GENERAL

The COSBOTS accountancy and bookkeeping system and procedures are set up to comply with the Companies Act and International Financial Reporting Standards (IFRS).

This year members will notice a big difference from the company's usual Annual Financial Statement as the company has shifted from the cash basis standard that COSBOTS had utilized since its formation owing to non-compliance by users, which resulted in a large number of bad debts being held by the company, to the accrual basis standard required by International Financial Reporting Standards (IFRS).

INTRODUCTION

CMOs in many countries are but a few institutions and in a number of countries are monopolies, with limited comparisons to other businesses, whether incorporated as Companies Limited by Guarantee, Public Benefit Companies or Public Benefit Organizations.

In many African countries these CMOs:

1. Are recently established
2. Fall into the Small and Medium-sized Enterprises (SME) category of operations
3. Have modest management systems or Enterprise Resource Planning (ERPs) in place
4. Employ financial staff with limited exposure to IFRS (or old GAAP)

Some Key Issues To Be Addressed

Post the GAAP (General Accepted Accounting Practice) era and with the application of IFRS, Collective Management Organizations have been faced with new and revised requirements for their revenue reporting & recognition.

Under IFRS, revenue reporting & recognition are covered under IFRS 9 & IFRS 15.

ACTIVITY REPORT FOR THE YEAR 2020 – 2021

Accounting & Bookkeeping

Management of accounts is undertaken by COSBOTS staff using the software, Sage Pastel. An external consultant reviews and combines the monthly accounts and establishes the year-end accounts.

REPORT OF THE STATUTORY AUDITOR ON FINANCIAL STATEMENTS 2020 - 2021

The 2020/21 accounts were audited in July 2021.

The annual accounts show a total asset balance of P34, 500, 540.00, which is P2, 194, 428.00 higher than last year's balance of P32, 306, 112.00.

Receivables less than one year

Receivables have decreased, this is due to effects of COVID 19 and restating of accounts for the year 2020 to fit with IFRS. The lockdowns due to COVID restrictions once again had a negative impact on this year's revenue in the overall area 'General public performance', which covers revenues from concerts, cinema and background music.

Term accounts

The interest on term accounts continues to increase. 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.

Profit & Loss

The year-end result on the operational accounts shows a deficit of **P8,696,338.00**. This is due to a number of factors, among them the supplementary distribution of P1.5 million of distribution 13 (D13.5) and other provisions and restating of finances to align with IFRS.

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 the social and cultural fund, and other provisions from gross revenue.

Operational Reserve

The operational reserve decreased as the Board transferred P2.6 million to increase the Net Distributable amount for distribution 14. The Board also approved another P2 million to be distributed to the members as covid relief, where each member benefited P1000.00.

Long term liabilities

Bank Gaborone finance lease for COSBOTS building- The finance is payable over 180 months at equal instalments of about BWP 23,799.24 at prime plus 3% interest rate compounded.

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%).

Distribution

In 2021, COSBOTS distributed P8.8 million, of which P1.5 million was secondary distribution of distribution number 13 and P7.3 million as primary distribution for distribution number 14 to rightsholders in Botswana and abroad for music performed in 2021 and previous years.

Social & Cultural Fund

Every year, COSBOTS allocates up to 10 per cent of our net earnings to assist members in social and cultural causes like bereavements.

Winani Sekani



Treasurer of COSBOTS Board of Directors