



ANNUAL REPORT

2017/2018

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NATURE AND SCOPE OF THE COSBOTS MANDATE

The Copyright Society of Botswana is a Collective Management Organisation, incorporated in 2008 as company limited by guarantee (Non-profit) and according to the Copyright & Neighbouring Rights Act 68:02 the principal mandate of COSBOTS among “other” ancillary objects is to carry out the following:

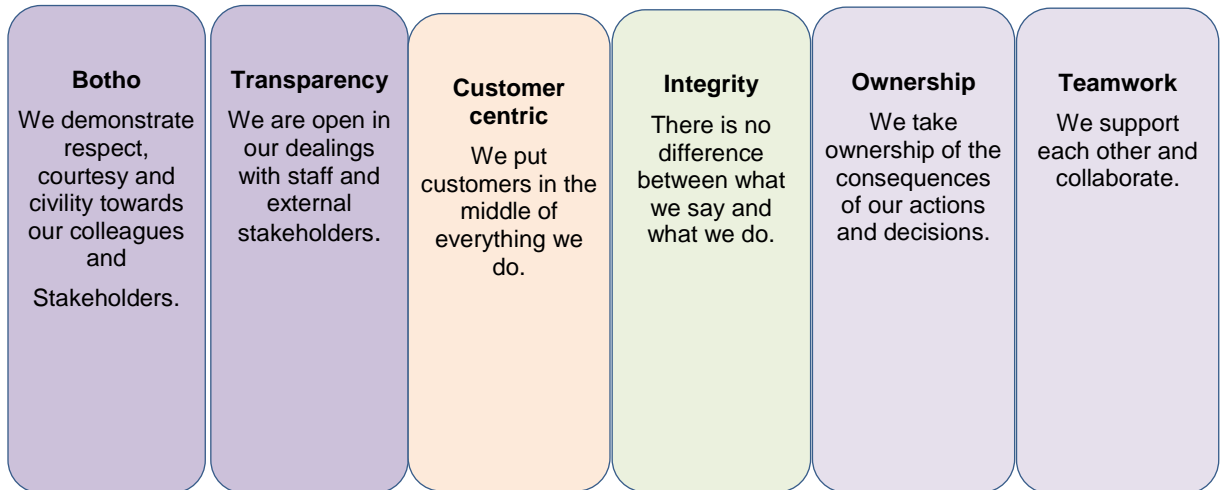
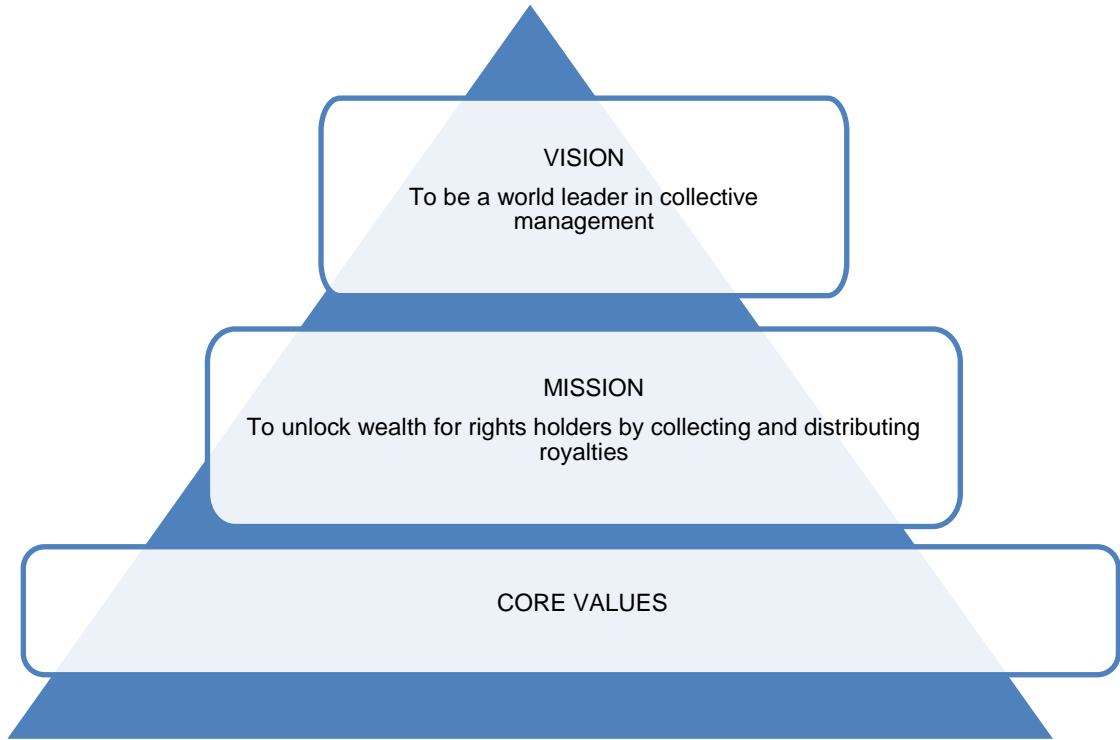
- (a) To negotiate and grant licenses in written agreement with the owners of copyright for:
 - (i) The adaptation of works, performances and sound recordings;
 - (ii) The insertion of works, performances or sound recordings in other scopes;
 - (iii) The use of works for publicity purposes.
- (b) To set rates for royalties in accordance with acceptable international standards;
- (c) To collect and distribute royalties to appropriate owners of copyright;
- (d) To represent the owners of copyright in the various categories of works protected under the Copyright and Neighbouring Rights Act
- (e) To put in place rules and regulations, approved by the Copyright Office, which contain such provisions as are necessary to ensure the protection of the interests of its members.

COSBOTS is mandated to manage a myriad of rights which includes cinematographic works i.e. television broadcasts of works of a dramatic, dramatic-musical, choreographic, musical, cinematographic nature, the rights of authors of musical works and those of authors of audio-visual works. The work of the society also includes the protection of the rights of authors in their literary and artistic works with the ability to impose sanctions in the event of non-compliance.

BROAD STRATEGY IN EXECUTING OUR MANDATE

At the time COSBOTS commenced operations, the Board, Management and Staff that pioneered the company’s formation, known simply as the founders, formulated the vision and mission statements of the company as well as the values that underpin the organisations operations. Over the years these have been reviewed time and again in order to determine if they remain relevant to COSBOTS. This review occurred as part of the review of the entire corporate strategy and involved either adjusting and/or confirming the vision, mission and values of the organization.

Strategic Foundations



The Board has over the past 12 months maintained a culture of good corporate governance. As a measure of effective management of the operations of the company good corporate governance demands constant development and review of the corporate strategy to ensure that COSBOTS remains true to corporate objectives and best practices. The success or failure of COSBOTS will depend upon the particular strategy the Board and management have chosen.

In order to further develop the strategy of the company the board and management drilled down into the key business areas that are the levers of driving the strategy and the exercise highlighted the key strategic imperatives and considerations for each key business area.

These keys areas are

- Communications
- Human resources
- Licensing – Music rights
- Licensing – Reproduction rights
- Distribution & Documentation
- Finance

Communications

Key Considerations

- Countrywide awareness campaigns
- Collaboration with more media houses
- Appoint additional officer
- Collaboration with Compliant Users and influential Artists to drive key messages
- Partner with influential artists to counter bad publicity and encourage more Artists to register
- Revamp website and social media pages
- Customer satisfaction survey

Human Resources

Key Considerations

Staff Skills-Training on

- Leadership and Emotional Intelligence--Managers,
- Fire Marshal,
- Pastel – evolution
- Customer Service- all staff
- Team Building +- once a quarter
- Neighbouring & Copyright law (international-bench marking with other countries)

Staff Welfare

- Salary increment/revisiting salary structure
- Gym membership
- Group schemes - Funeral Cover

Licensing – Music Rights

Key Considerations

In our continued efforts to gain revenue we believe the following will be of assistance:

- **Enterprise Management system** – licensing software; allows us to have comprehensive systems in place from user onboarding right up to payments and between departments
- **Policing** – The Act is currently under review which should allow more targeted policing and enforcement where there is no compliance e.g. event search & seizure
- **Cooperation from stakeholders** such as MYESC i.e. including COSBOTS in event permit checklist
- **Resources** - more cars, Pastel Evolution, Staff training etc.
- **Stakeholder Engagement** - which has allowed buy in of entities such as HATAB, Parastals, Financial institutions, Tertiary Educational Institutions so far should be continued
- Training on copyright law; international and regional WIPO, ARIPO

Distribution & Documentation

Key Considerations

- Training on reprography DD, Neighbouring rights DD benchmarking
- Policy changes to aligning statutes with technological advancements in the industry
- Complete implementation of efficient automated documentation & distribution system
- Design online registration platform

Reprography and Licensing of Reproduction Rights

Key Considerations

- Country wide awareness of reproduction rights
- Collaboration with Arts & Culture (MYESC)
- Collaboration with MOTE & MOBE
- Collaborations with rightsholders associations
- Training on licensing, documentation and distribution for reproduction rights
- Training copyright law – regionally and internationally

Finance

Key Considerations

- Invest in robust debtors collections systems for better credit management to improve cash flows.
- Better cash flow management
- Automation of processes and investing in systems
- Ensuring that the company distribute timeously which is the reason why the company exists.
- Achieve better team cohesion between departments, management and the Board
- Better stakeholder management to get buy in and more compliance.
- Achieve 70/30 revenue/administrative cost ratio within a period of 5years

Looking ahead - our plans

Global legislative framework and the ways of creating and exploiting copyright works is going through an unprecedented transition as technology moves from its legacy in hardware to its future in digital form which is resulting in the emergence of new business models

To succeed in our mission, we have worked to migrate the existing registration and notification processes onto a digital platform to make it easier and more efficient for artist to register their works with COSBOTS. This is our priced building blocks, and designed to enable creativity to flourish across the widest geographical spread. Second, based on the key applications that emerge from that platform, we will be able to easily execute a strategy to match the repertoire to usage once we have in place an automated monitoring system that will collect usage of works on a digital platform as well.

There are a number of international treaties and conventions, which governments have acceded to and ratified. Two of the more important international treaties addressing the interests of copyright owners are the Berne Convention and the WIPO Copyright Treaty (WCT). These treaties commit the signatories to certain minimum legislative arrangements in their countries, and these accessions to international treaties are not enough if national legislation does not fully incorporate the protection provided for in the treaties. In this regard, it is important for rights owners/holders that the national Copyright legislation should be a modern instrument relevant to its time. This therefore means that there dire need for both the current Copyright and Neighbouring Rights Act and the COSBOTS constitution to be revamped to at least reflect the principles and standards provided for under the WCT to ensure better protection for rights holders.

Changing legal frameworks will go a long way in dealing with complications arising from the enforcement of copyright in the digital environment, including the question of liability for online infringement of copyright.

HIGHLIGHTS OF THE YEAR UNDER REVIEW

1. Strategy review

The importance of constantly revisiting and reviewing the strategy is importance and forms an integral part of strategic planning. The two main components of strategic planning are strategy formulation and strategy execution.

Since the COSBOTS strategy has been formulated through the setting of goals and objectives; assessing current resources; appointment of competent staff; obtaining the necessary resources; and responding to the regulatory environment, it is incumbent upon the Board to ensure that management is;

- Setting priorities;
- Preparing detailed plans (including forecasts and budgets);
- Communicating necessary information to members and other stakeholders;
- Taking action to implement the plans; measurement and monitoring of plans against objectives and goals and responding to any requirements for corrective action.

2. Revamp of Website

A more interactive and user friendly website has been introduced. In addition to this the functionality of the website has been further advanced by the introduction of online registration where all the application forms from both documentation/ distribution and the licensing departments are now in digital form and can be accessed on the company website.

2.1 Recruitment of a new CEO

- Mr Lesego Selotate was appointed as the Chief Executive officer
- Formation of Board sub-committees

2.2 Stakeholder engagement

A series of workshops were hosted by COSBOTS aimed at better managing stakeholder expectation. These workshops were also a platform to create public awareness on the mandate of COSBOTS.

2.3 Distribution 7

In January 2018 the seventh distribution of member royalties was done and a total amount of P750,000 was distributed to members of COSBOTS. The landscape and basis for how the distributable income was allocated can be found in the approved distribution rules. In addition the board passed further resolutions to provide clarity and direction on certain distribution policies and practices that the company implemented in distributing royalties in respect of distribution 7.

2.4 Introduction of new tariffs

COSBOTS reviewed its tariffs after a very long period where the applicable tariff had been the same ones that were introduced at the commencement of operations nearly seven years ago. It is worth noting that the actual tariff development is often based on benchmarking, which takes into account national, regional, continental and international best practices. The unique local conditions applicable in the particular jurisdiction are important. Even where there is correlation with practices elsewhere, the tariffs still need to be adapted to the local conditions. Courts and

copyright tribunals have often used a 'standard of reasonableness' to determine if a disputed tariff or license fee is acceptable. They seek to assess whether the licensing fee charged was reasonable under the circumstances.

2.5 Constitutional review

The process to review the constitution started with the company advertising a tender to obtain legal experts to review the statutory document and recommended the necessary changes that needed to be effect to have a document that is fit of purpose. This process is still at tendering stage.

2.6 International Affiliations

COSBOST has been admitted as a provisional member of the International Federation Of Reproduction Rights Organisations and management was invited to attend the IFRRO World Congress 2018

2.7 Signing of CIPA Guidelines

These guidelines form part and participle of the Copyright and Neighbouring Rights Act and CIPA' s oversight over the operations of COSBOTS. The CIPA guidelines are another measure of protecting the interest of rights holders/owners through intensified regulation.

REPORT BY BOARD CHAIRMAN



Mr Tomeletso Sereetsi

Dear Members and Stakeholders

I am pleased to present the report for the period 2017/2018. As the new Board Chair, it has been my sworn pledge and that of the new board, elected in August 2017, to take stock of the legacy of the past administration and forge a new path ahead that includes reforming operations and improving the way we conduct business at COSBOTS. It would be remiss of me not to acknowledge efforts of the previous Board members and the founding members of the Copyright Society of Botswana for the tremendous job done in setting up the organisation and ensuring that it becomes

an operational entity. The good work done by my predecessor and his colleagues in the Board includes:

- Establishment of a new office. This on its own is always a mammoth task especially that the business of collective management itself was a completely new phenomena in our country and therefore they pioneered rights management in Botswana
- Preliminary preparatory work performed to bring COSBOTS to be at par with other Collective Management Organisations in the region, through processes such as the commencement of registration of Members and documentation of their repertoire, which started in 2012
- The culmination of all the aforementioned work was the first distribution of royalties that took place as early as 2014. On that note, I wish to point that most CMO's take about five to eight years from the time they first start operating to when they distribute their first royalties.

It is these significant milestones that enable us to reflect and chart a proper direction going forward. As the new Board we are humbled by the noble gesture extended to us by the Members by entrusting us to lead the organisation on their behalf. Since the day we assumed the Board positions it has always been our erstwhile goal to build a solid company for our members, that not only generated good returns for owners of copyright works but is also a good corporate citizen that is alive to its social responsibilities. We are intent on transforming COSBOTS to be in line with its mission of being the best CMO in the region and this is the legacy that we want to build for ourselves while charged with the fiduciary responsibility of directing the affairs of COSBOTS.

BOARD EFFECTIVENESS.

We are continuously working conscientiously to ensure the company achieves increased licensing revenue and other income to improve payouts to our esteemed members. I am confident that we are making significant strides in pursuing the aforesaid objectives and this is reflected in the improved financial performance of our organisation. Our visionary Board, strong CEO, competent management team, highly energized staff members all contribute to a formidable team that is vigorously pursuing all the organisations objectives and seeing to it that we actualize the dreams of our artists.

I am elated by the tremendous efforts of the Board of Directors and eagerness in according direction and accountability for operational processes. The formidable team that the members elected in the last AGM has successfully executed most of the assignments from Members, details of which are captured in the motions of the last AGM .

1. BOARD SUBCOMMITTEES

Five sub-committees of the Board have been established. The committees comprise of the **Nominations & Governance Committee, Intellectual Property Rights and Technical Committee, Membership Committee, Finance Procurement and Audit committee, Human Resources and Staff Welfare Committee and the Executive Committee.** These Committees are now fully functional. I wish to acknowledge the input of the COSBOTS management team in assisting in developing all the policy documents and Charters for the committees.

2. SOCIAL AND CULTURAL FUND

In order to cater for the social needs of our members, some of which are amongst the less privileged within the society, a social and cultural fund is in the process of being set up. This fund is also intended to promote all matters cultural as they related to COSBOTS, an interested party in the cultural heritage of Botswana. I am happy to announce that in anticipation of the set up of the cultural fund, the Board has started deducting money from royalty income and setting the money aside for activities that the fund will undertake on behalf of members.

3. UPDATE ON DISTRIBUTIONS/ROYALTIES TO MEMBERS

Members will recall from past distributions that the payments follow a distinct chronological order and according to the chronology, the last distribution that took place in January 2018 was distribution number 7. The expectation therefore would be that number 8, 9 and 10, in that order, would follow this distribution. The period for which Distribution 8 (October 2016 to march 2017) and Distribution 9 (April 2017 to September 2017) should have been done. COSBOTS realized a net deficit as can be seen on the results reflected in the prior year Annual Financial Statements. For all intents and purposes, distributions can only be done in instances where the company has made net surpluses and therefore no distribution will be done for 8 & 9. Distribution number 10 indicates that the company generated a net surplus and therefore the intention is to pay royalties based on calculations for distribution number 10 (October 2017 to March 2018). The office is working on Distribution 10 being the period for which the company had started to recover financially.

4. 30% ADMINISTRATIVE EXPENSES THRESHOLD

In the past, operations were characterized by low and stagnant income streams and high and increasing operational costs or administration expenses that are out of quilter with the international best practice which recommends that administration expenses should be kept within a percentage not exceeding 30% of royalty income.

The rule of thumb however is that the effective management expenses should be kept within reasonable limits, having regard to the local conditions in the territories in which the Collective Management Organisation operates. In the context of COSBOTS, there is need to consider that the society at the lower end of the operational J-curve and was burdened with initial investments and operational set up cost that have inflated costs in relative terms to its income, and contributed to the significant deficits realised by the Society, which explains why expenses are way in excess of the 30% threshold.

The Board and management are constantly reviewing operations with a view of controlling expenses and implementing measures to grow the top line earnings in order to help improve organisational performance and promote the payment of a higher quantum of royalties to members. The Board has set itself a target of achieving the 30% threshold over a period of five years.

5. FORENSIC AUDIT REPORT

The forensic report was handed over to the Board by CIPA and the Board has had occasion to review its contents. The Board and management in order to bolster internal controls and mitigate operational and financial risk as well as remedy the lapse in controls and governance that evidently took place in the past, have put quite a number of the recommendations emanating from the forensic report into operation. The Board also obtained a legal opinion based on the recommendations of the forensic auditor. The Board is still discussing the legal opinion

OPERATIONS

MUSIC RIGHTS

It is worth noting that our membership continue to grow from strength to strength, which is indicative of a positive culture where more and more artist see the importance of notifying COSBOTS of its original works. This repertoire is off course what COSBOTS uses to ensure owners of copyright works are compensated for the continued exploitation of these works by the various categories of users.

Despite efforts by our management to ensure compliance, some users perpetually use artist's music without obtaining a license for use. COSBOTS however continues to take appropriate steps to ensure that users pay for the usage of artist's original works.

REPRODUCTION RIGHTS

COSBOTS has started registering right holders for Reproduction Rights works. To date owners of 11 literature works, 1 piece of work from visual art and 2 works from the audiovisual arts category have registered with COSBOTS. Management is currently capacitating stakeholders at a number of tertiary institutions, which include University of Botswana and BIUST, BOU through MoTE for starting a Non-fiction Writers Association. The same information will be cascaded to the private institutions of higher learning. The Non-Fiction Writers Association will be pivotal to the empowerment of creativity in literary sector. MoTE is about to start an Education Fund, which will benefit Botswana Non-Fiction writers.

Notwithstanding the above, COSBOTS has not yet started licensing users for the reproduction of literary works and can only realistically commence with this process once an approved set of tariffs in place.

REGISTRATION

One of the major hurdles that were faced by members in the past has been the ability to register their works at COSBOTS without much hassle and without incurring prohibitive costs by having to travel all the way to Gaborone to register their works. As a consequence of this challenge, and to make the process a lot less burdensome for our members, the organisation has now introduced on-line registration of works. All the COSBOTS notification and registration forms have been uploaded onto the COSBOTS website and members are now able to complete the forms via their hand-held devices or on any computer equipment from wherever they are located in Botswana or beyond the country's borders. We pride ourselves with having brought convenience in the delivery of services to our members.

STAKEHOLDER ENGAGEMENTS

The Board and management is determined to develop and maintain sustainable strategic partnership with all Creative Arts associations, music industry players, Companies & Intellectual Property Agency (CIPA), Government of Botswana, international associations such as WIPO, CISAC and IFRRO and other Stakeholders to fortify our position. We are especially grateful for the fruitful relationship that we have with Companies & Intellectual Property Agency (CIPA), Ministry of Investment Trade and Industry, Ministry of Local Government Lands and Rural Development, Ministry of Youth Empowerment, Sports and Culture Development and Ministry of Tertiary Education, Ministry of Basic Education to assist in plummeting the numbers of noncompliance. This can only be achievable if a copyright license is included in the checklists of trade license issuing authorities and other business that exploit our works.

GOVERNANCE

COSBOTS has for the better part of its existence been marred with grave concerns of maladministration. These concerns were really symptomatic of a lack of proper governance processes. I take pride however to announce that these concerns are now firmly in the past and the new board is committed to its fiduciary responsibility to protect the assets of the organisation, and ensure that there are adequate controls and risk mitigation processes that include proper corporate governance measure to ensure the efficient and effective running of the affairs of COSBOTS as a whole.

CONCLUSION

In conclusion, I wish to use this opportunity to thank all our Members who have been very patient and understanding during the times the company was going through a plethora of challenges. I extend my gratitude once again to members that have continued to rally behind the new Board and management as they metaphorically navigated through choppy waters in an effort to stabilize the ship. It is also important that I thank all our users with equal measure, for continuing to comply with provisions of the Copyright & Neighbouring Rights Act and licensing for the use of music works to enable COSBOTS to pay royalty to the rightful owners of the copyright works. We hope that will all your support our businesses will continue to grow and benefit the deserving members.

REPORT BY THE CHIEF EXECUTIVE OFFICER



MR. LESEGO SELOTATE

We are pleased to report that COSBOTS has increased our revenue year on year and the distribution goal during the 2018-2019 financial periods, albeit this distribution relates to past periods.

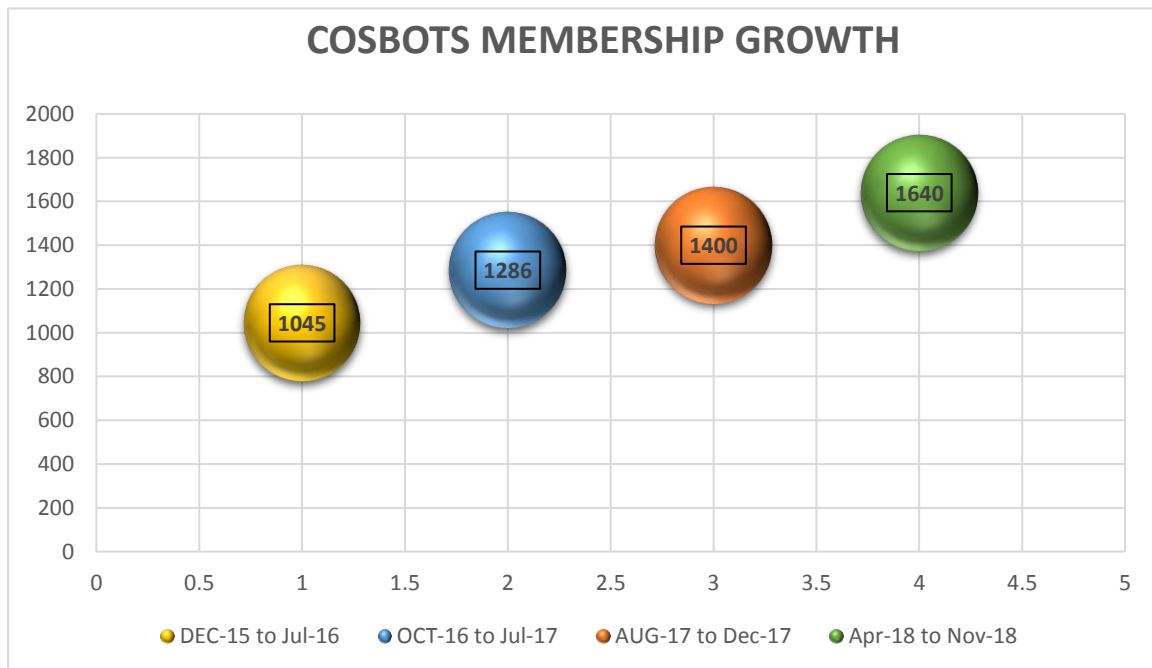


Chart 1: Membership numbers

Over the last year the key focus of COSBOTS has been to bring the much-needed stability to the organization. This follows a number of challenges that the company faced which affected both revenue and collections. After several years of muted growth in revenue we realized record financial results in this year, our collections have improved marginally; save for a single customer that had an outstanding balance totaling BWP7.5 million for one

single licensing period. In the previous years our expenses to collections ratio has been extremely high. In 2016-2017 the ratio was 83.9%. However, in the past year the ratio was 54.6%, and though we have not achieved the ideal levels, it remained at a sound 29.3% below the prior-year figure.

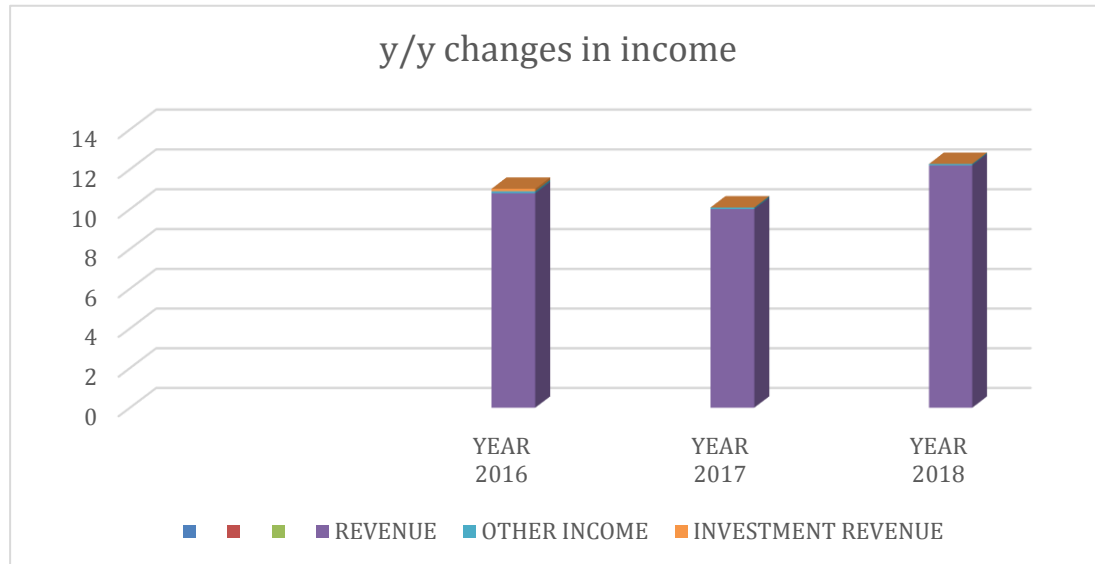


Chart 2. Growth in revenue

Regarding collections, we would like to report that the national commercial landscape continues to experience volatility; this unpredictable economic climate has affected many industries such as the mining sector where several mines have shut down operations. The muted economic activity has also affected the broadcasting and media industry, where the shifting from an era where broadcast and print media houses relied on Government expenditure for the advertising revenue, which institution is the largest buyer of goods and services in the national economy, to an era where the private sector became the leading consumer of media advertising space. This development has overtime affected the financial performance of businesses in the media industry. These being some essential users of copyright material have resulted in COSBOTS experiencing the same pains of these industry players that have resulted as consequence of the aforementioned change causing COSBOTS to have receivables at staggering levels of over BWP 8million.

The extent to which COSBOTS has been able to collect over the years has had a direct bearing on the history and patterns of distribution of royalties among rights holders in COSBOTS. As noted above the distribution done in February 2018 was for usage of works during April – September 2016. COSBOTS maintains a record of empirical data relating to actual distribution statistics and this information is detailed further on in this report.

In the past year the Net Distributable Revenue (NDR) to members totaled BWP750,000,. In previous periods where COSBOTS has managed to generate reasonable income for our members, we have been able to in turn distribute these funds as a result of our ongoing focus on robust administrative processes and improvements.

In addition to maintaining and improving efficiency in servicing our members, COSBOTS has continued to pursue improvement of internal business processes that are part and participle of good corporate governance. The focus on robust administrative processes

and improvements has been occasioned by the documentation of all the organizations' processes, including the introduction of risk mitigation strategies and strengthening the general internal control environment. The board has over this period considered and approved a number of policy documents, which includes charters for both Board and the various sub-committees of the board.

COSBOTS continues to advocate for fair copyright laws on behalf of rights holders, and to expand the ways we can provide value add services to the arts industry. Above all, we remain committed to facilitating the use of local content in the broadcast program of our local radio and television station in order ensure fair and equitable payment to rights holders.

COSBOTS recognises the importance of good corporate governance practices, based on this understanding, the board and senior management met this year to review the current strategy to ensure that all its provisions align with and respond to the vision of the organization. 2018-2019 marks the end of our three-year strategic plan that leverages our relationships, governance and capabilities and ensures that the Society remains true to its corporate objectives and best practices

Taking advice and listen to constructive criticism

COSBOTS recognises that members have begun to actively assert their rights through member activism, and demanding to know how their society operates and how license fees are accounted. We would like to underscore the commendable efforts of members in registering their works in large numbers, which has also contributed to them being more conscientious in demanding more in the way that the affairs of the organization are run, and working with us to ensure that there is continuous improvement in the manner in which royalty payments are done. We will monitor our progress against the current strategic plan.

The number of new registered claims was three and this growing number required that we maintain high levels of transparency, accountability and governance in managing the collections and ultimate distribution of Royalties. For the aforementioned registered claims, COSBOTS paid a total of P1, 5million that was in respect of the April to September 2016 payment run. We remain committed to our practice of distributing fairly and efficiently to all rights holders. COSBOTS continues to collect on behalf of all its members in a fair and transparent manner, in accordance with applicable contracts and Botswana law and this commitment extended to ensuring that the collected royalties are then paid to the respective rights holders.

We've undertaken significant improvements to the systems that support our core capabilities. Plans are afoot to review the company's constitution, put in place a monitoring system which will provide an easier to use online usage management system and provide a platform for growing our international rights management and disbursement services. We have also started the process of setting up the social and cultural fund for members. Work in this respect is still on going.

Consultation and improvements to our policies and procedures reflect our commitment to listening and responding to members. We have introduced a Client Services Charter (COSBOTS's promise to its customer to ensure that it provide quality of service to its members), a Code of Ethics, Privacy Policy, and a host of other control documents. The Asset Procurement and Disposal Policy, HR and Staff Welfare Policy have been revised in order to incorporate improvements occasioned by changes in the corporate landscape in the country. The Client Services Charter was completed and found to be conceptually

sound in its first few months of operation, with a majority of member queries being resolved in the first few months since the policy took effect.

COSBOTS has been successful in building and strengthening relationships with overseas and cross border collecting societies, and its various stakeholders, especially those who depend upon the success of COSBOTS and upon whom our success is similarly dependent. This has allowed us to have a clear strategy on how best to deal with each of our key stakeholders.

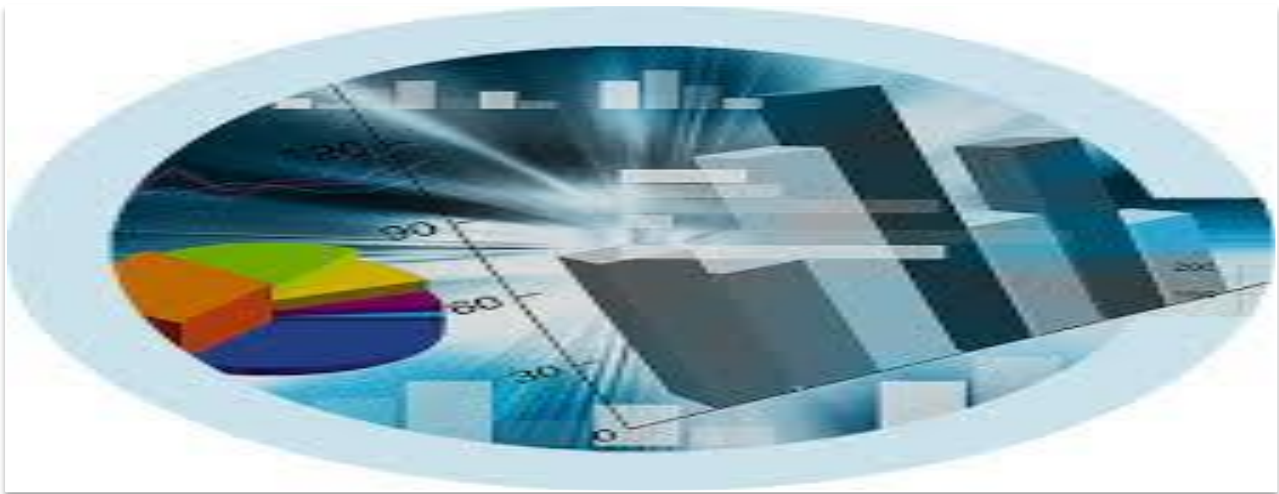
COSBOTS is proud to be working with some of the industry's inspiring and emerging artist as well as some of the most prominent and committed companies in the country, that are keen on developing the arts industry. We are proud to report that COSBOTS complies with the voluntary Code of Conduct for Copyright Collecting Societies and is proud to be a transparent, accountable and well run organisation for the benefit of our licensees, members and the wider arts industry.

Collaborative efforts

To give an overall assessment of the operation of COSBOTS we would like to note that the company is growing from strength to strength and we are well on our way to achieving the society's goal of ensuring that our members are remunerated for the exploitation of their musical works. Having said this though, management is not sitting back and hoping that everything will continue to run smoothly. We see the need to constantly assess and review our progress and to convert our current plans into a forward looking and more futuristic strategy. We will continue to work with our industry partners to advocate for fair copyright laws, and work closely with Government and our stakeholders to create practical outcomes for our members.

In conclusion, we would like to express our sincere gratitude to those who helped facilitate the achievements of our goals, and thank those that urged us to push boundaries in ensuring that our operations are efficient and we provide equitable solutions for the benefit of our members and all our key stakeholders alike. We would like to provide assurance to our members that the organization is on the right track and we are totally committed to adhering to the highest possible corporate governance standards and practices, and that they should take us into their confidence.

FINANCE REPORT



The year on year earnings from royalties has grown by 21% from P10 million in 2017 to P12.1 million in 2018. The underlying business reasons for the increase in revenue can be attributed to the licensing team that embarked on a countrywide sales initiative geared at increasing the footprint of COSBOTS business and licensing more users that have not traditionally being licensed in addition to the normal renewal by businesses already in the COSBOTS customer database.

Expenses for 2018 were P7.2million, this is a significant decrease of 12.5% from the 2017 figure of P8.2million. Depreciation, amortisation and impairment costs, membership expenses, board expenses, employee costs and legal expenses largely drive the costs.

- Depreciation, amortisation and impairment cost is mainly made up of the depreciation of the assets of the company, chief of which is the building and the company vehicles.
- The increase of number of Board members from six to twelve and the introduction of subcommittees of the Board resulted in the frequency and number of the board meetings increasing during this period causing the escalation in the board sitting expenses.
- Cosbots like all CMO's is a human resource- and systems-intensive operation. For this reason, the investment in human capital becomes important for COSBOTS to ensure that its management information and IT systems and processes operate at optimum levels. The financial implication of maintaining this work force is reflected in the significant expense in the 2018, this expense has however reduced year on year from 2017 by 22%. This cost is also substantiated on the basis of the objective fact that the human capital employed by the company has managed to grow revenue and this makes for sound financial justification.
- Legal expenses were as a result of the ongoing cases, which included the ex-employee cases, cases with non-compliant users such as DBS matter, Options and Duma FM case as well as the case relating to the dispute over

the increasing of the Board complement

- As a result of increased income and control of administrative expenses the company was able to post a surplus of P2.8million. This is a major improvement on last year's result where the company posted a staggering deficit of P4.5million.

Statement of Cash Flow

Under this statement we note how much cash comes from collection of royalties, less the amount of cash needed to meet the administrative costs incurred in the collection of royalties and general operations of the society. The company has been able to produce a net positive cash flow from operating activities which balance is significantly higher than the net cash flow in 2017. The aforesaid changes in cash flow from operations typically offer a preview of changes in net future income. Because these changes have gone up this is a good sign for the future prospects of the company.

Cash Flow from Investing Activities

The company has during the spent on P115, 000 on capital expenditure and the bulk of the money was spent on computer equipment, office equipment and improvements to the office building all needed to keep operations going.

Cash Flow from Financing Activities

The P73, 000 cash from financing activities is associated with the loan secured in the procurement of the office building. The P2 million in 2017 is the proceeds of the mortgage loan.

The Cash reserves are significantly higher than 2017 as a result of prudence on the part of management by ensuring that collections are done in a robust manner.

There are however still a number of users whose accounts are more than 120 days overdue. Concerted efforts have been made to expedite payment with users that have long over-due accounts. Cash and cash equivalence as at 30th June 2018 was P4.3 million in compared to P1.8 million in 2017 showing the ability to generate plenty of free cash flow.

Free cash flow signals COSBOTS ability to pay debt, pay royalties and facilitate growth. Free cash flow, which is essentially the excess cash produced by the company, can be paid to members as well as invested in new growth opportunities without hurting the existing operations. Ideally, members should be interested in seeing that the company can pay for the investing figure out of operations without having to rely on outside financing to do so. A company's ability to pay for its own operations and growth is a clear signal to the members that it has very strong fundamentals.

Statement of Financial Position

The total assets of the business have grown year on year by 31% due mainly to an increase in trade receivables and cash and cash equivalence. Property plant and equipment comprises of the office building at a valuation of BWP3.8 million, motor vehicles, furniture and fixtures and IT equipment. The slight drop in the value of the non-current assets is the depreciation charge expensed for the year.

The liabilities reflected on the statement of financial position comprise of the loan used to finance the purchase of the office building, trade payables and provisions for employee benefits, royalties and legal. Trade and other payable are down 81% from 2017 while provisions for employee benefits, royalties and legal have also reduced from P10 million to P4.5 million. The reasons for this is that because of the manner in which provisions for royalties were treated in the past which was not in line with industry practice and resulted in a misstatement of financials by P8.2 million. A journal was passed in order to reverse this provision and correct the anomaly. Because of the significant amount involved and its effect on retained income the auditors have issued a qualified opinion on the result of 2018.

REPORT ON GOVERNANCE



The *TAG of Excellence* project was intended at profiling the importance of good corporate governance for CMOs and assists CMOs to communicate to the outside world and its mandating rights holders that it maintains a high level of transparency (T), accountability (A) and governance (G).

Our fiduciary responsibility as the Board of COSBOTS is to oversee at a strategic level all aspects of the organisation and this mainly entails Monitoring and overseeing of the *strategic direction and regulating the affairs* of the company. Members of COSBOTS are the principals of the company and because they do not have direct access to information that would ordinarily enable them to advance their own interests, it is then incumbent upon us as the Board to ensure that the interest of the members are not overridden by those of management. Good corporate governance thus becomes an important tool in ensuring the safeguarding of the interests of COSBOTS members and this is the tool we rely on as the Board of COSBOTS.

