

Grant Thornton

Success line

September 2010



Foreword from our Managing Partner's desk

I am very pleased to greet you all as we enter the final 4 months of 2010. It has been a period of recovery for the diamond industry in Botswana and for the country as a whole on the back of this recovery. The business community would have started experiencing the effects of this clawing back in their respective businesses after having observed a slow start to 2010.

The Bank of Botswana has extended its support by holding on to the interest rates at the reduced levels to assist in this growth process. It has been a positive development that growth in credit rate has grown more in the business sector than the home consumption sector in the recent past period. Business merger and acquisition activity has been felt in the economy as the businesses have been working on consolidating their positions to be ready for the upward trend.

At Grant Thornton, we have been focusing on nurturing and retaining highly skilled personnel resources to enable us to continue to provide high quality professional service. With 6 active partners and 6 well experienced directors, who have all been with the firm for more than 10 years, and an efficient team of over 100 staff, Grant Thornton continues to progress along with all of our valuable clients as the firm with the largest client base. Grant Thornton can take pride in being the only firm in the country that makes available such high level and personal attention to its clients.

I have taken up the responsibility on behalf of Grant Thornton International to lead the expansion efforts of Grant Thornton into more countries in sub-saharan Africa. Grant Thornton is presently represented in 11 countries in sub-saharan Africa.

This will grow further in the next 12 months. We feel privileged that we will be able to be closely associated with you in your corporate expansion into these countries as we witness the economic recovery unfolding.

We pledge our continued focus on training and equipping our personnel to enable us to be associated with your growth process. Wishing you all a successful and profitable run towards the close of 2010.



Jay Ramesh

Toolkit for business transactions – Focus on due diligence

by Advisory Service team

Business confidence in the Botswana SME sector and in general across all businesses is getting back to optimism after riding through a recessionary phase in 2009. At this stage, we will witness boost in various business transactions and it is the “survival of the fittest”.

Grant Thornton’s International Business Review 2010 reflects increase in business optimism in Botswana compared to the previous year. Botswana PHB’s (Privately Held Business) optimism is ranked positive (60% or higher) than GDP growth predicted, and is ranked amongst countries like South Africa, mainland China, Singapore, Canada and Hong Kong. More information on this review can be found at the Grant Thornton Botswana web site at www.gt.co.bw

In the current business environment, business owners need to be proactive, practical and realistic about the business decisions they take without being unduly dependent on lenders or any other external parties.

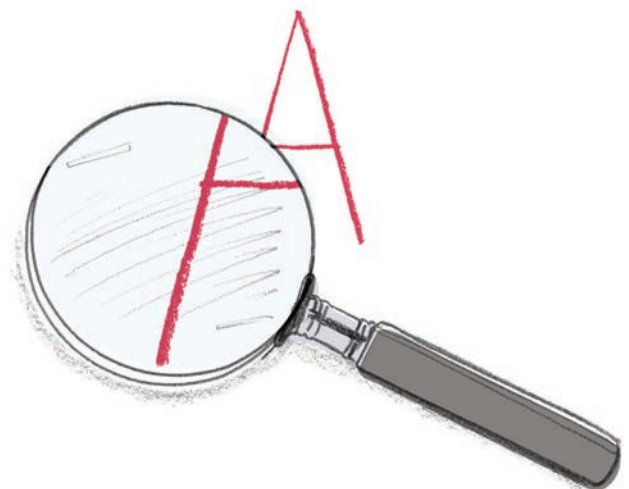
Businesses going through the effects of recession become targets for growth by acquisition and become prospects of expansion due to attractive valuations.

Careful consideration and adequate base work is very important for a successful and sustainable business transaction. Whilst it is important not to spend too much energy and time at the cost of losing the transaction, or adding too much cost to the base work, it is very crucial to do certain cross checks whilst considering investment. Failure to spot problems prior to signing the deal can have a devastating effect on the ability of a business to service its debt and ultimately survive. A well directed, cost effective due diligence can add value to almost any transaction. The scope of the area

of coverage has to be considered based on the requirements of the investor instead of going for a blanket full blown exercise. A limited scope due diligence should provide the buyer with comfort in making their decision, and also a sound basis upon which to negotiate the price or other key terms of the deal.

We have highlighted a dozen tips which need to be considered for any business transaction.

1. Is this business right for me
2. Is the price right
3. Structuring of the transaction - Purchase of assets vs. Sale of shares
4. Business licences / Trade licences
5. Owner manager deemed salaries / drawings vs. actual manager salaries to be considered
6. State of business records
7. Customers
8. Revenue / Earnings review
9. Compliance with BURS requirements – TAX, VAT, PAYE
10. Realistic Financial Projections with assumptions
11. Gearing – Personal capital vs. Loan funding
12. Sensitivity Analysis

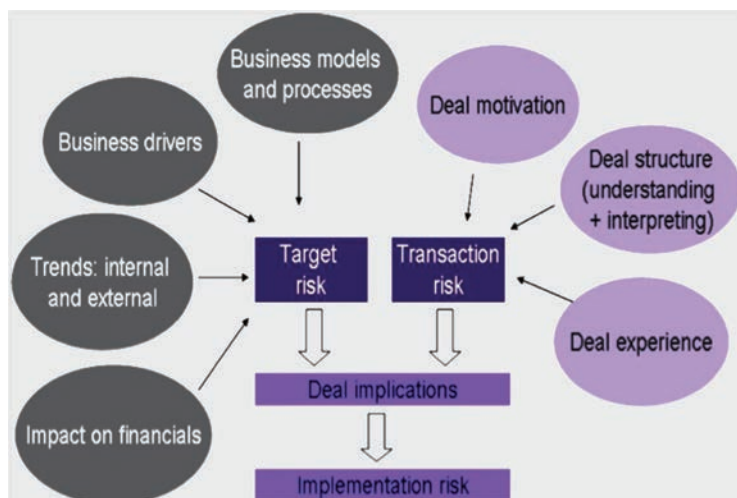


It is vital to be prepared for fluctuations in the operations and have a backup plan for the seasonal / cyclical movements. Assess the impact of potential problems (reduced sales, lower margins etc) in a sensitivity analysis, paying particular attention to cash flow movements.

A well planned due diligence will give you peace of mind and value added inputs towards making your business transaction successful.

Due diligence is a term used for a number of concepts involving either an investigation of a business or person prior to signing a contract, or an act with a certain standard of care. It can be a legal obligation, but the term will more commonly apply to voluntary investigations. A common example of due diligence in various industries is the process through which a potential acquirer evaluates a target company or its assets for acquisition. A typical due diligence exercise is illustrated in the diagram.

Grant Thornton’s risk based approach to Due Diligence



In any transaction cash flows are very crucial. It is vital for the purchaser to make due assessment in terms of availability of self capital for the transaction, adequate time to manage the operations, well planned system and a operations team to successfully run the operations and equally important to consider the market around the business. Well planned transactions will mitigate the business from known risks and insulate the business to a large extent from unknown risks. Such cross checks are very important to be considered at any time.

Common post-deal integration issues

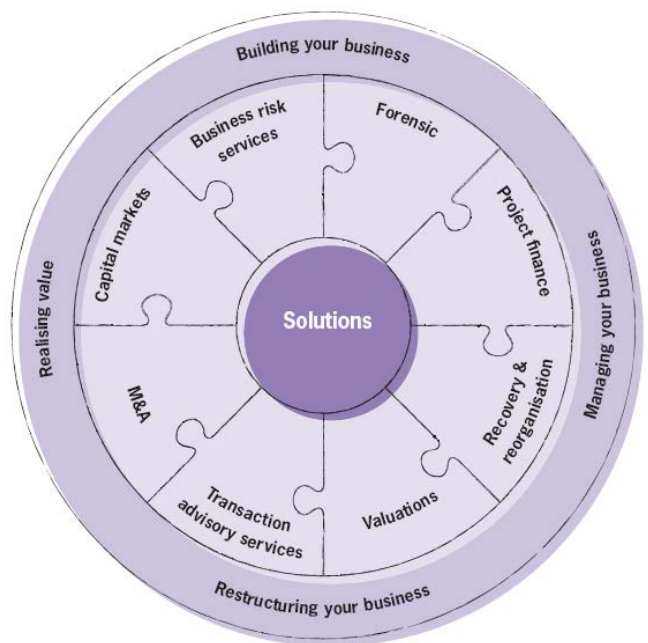
- Lack of pre-deal planning
- Insufficient cultural insight
- Tax compliance issues
- Retention of key personnel
- Operational challenges
- Quality of financial reporting systems
- Inadequate internal controls

Due to the peculiar requirements of each separate assignment, we at Grant Thornton have tailored our due diligence service to provide more than merely a financial due diligence. We incorporate elements of legal and commercial due diligence as well. This is done sensitively so as to make sure that we do not exceed our mandate and by so doing infringe on other specialist areas. Rather, it results in a product which is more complete and better suited to the demands of our business environment.

If you are considering a business transaction, please do get in contact with Grant Thornton Advisory Services team to discuss the potential services that may be of value.

Vijay Kalyanaraman – Partner, Advisory Services
Gomorashe Mahlokozera – Manager (BRS)
Arindam Ghosh – Manager (Corporate Finance)

Range of Advisory Services offered



Presentation of financial statements – IAS 1 (Revised 2007)

– by Badri Prasad, Assurance team

IAS 1 prescribes the basis for presentation of financial statements to ensure comparability both with the entity’s financial statements of previous periods and with the financial statements of other entities. To this end, the standard sets the overall requirements for the presentation of financial statements, defines the components of the financial statements (for example, the balance sheet or the income statement) and establishes the guidelines for their structure and minimum requirements for their content.

IAS 1 (Revised 2007) Presentation of Financial Statements applies to periods beginning on or after 1 January 2009. Amongst other things, it **changes the presentation of the primary statements**.

New title for primary statements

The revision of IAS 1 addresses mainly the issue what constitutes a complete set of financial statements (see figure below) and the requirements to present comparative information.

Prior to revision	As per revised IAS 1
Balance Sheet as at	Statement of Financial Position as at
Income Statement	Statement of Comprehensive Income <ul style="list-style-type: none"> • Single statement; or • Two statements
Statement of changes in equity	Statement of changes in equity
Cash flow statement	Statement of cash flows

However, the new titles are not mandatory and companies in some countries may decide to continue using the headings ‘balance sheet’ and ‘cash flow statement’.

Statement of Comprehensive Income

One of the main changes is that entities must now present a statement of comprehensive income, and have the choice as to whether to present this as one statement or two. Where two statements are presented, they will comprise an income statement, totalling to profit or loss, and a separate statement of comprehensive income starting with the profit or loss for the period and showing each component of other comprehensive income. The separate statement of comprehensive income must follow immediately after the income statement.

Alternatively, the entity may choose to present a single statement of comprehensive income including the components of profit or loss, ie what would go in an income statement if presented separately, followed by the components of other comprehensive income.

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other IFRSs. Some components include;

- changes in revaluation surplus (see IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets);
- actuarial gains and losses on defined benefit plans recognised in accordance IAS 19 Employee Benefits;
- gains and losses arising from translating the financial statements of a foreign operation (see IAS 21);
- gains and losses on remeasuring available-for-sale financial assets (see IAS 39 Financial Instruments);

- the effective portion of gains and losses on hedging instruments in a cash flow hedge (see IAS 39).

Statement of changes in equity

The statement of changes in equity must always be presented as a primary statement, regardless of whether the one or two statement approach is taken for the statement of comprehensive income.

The statement of changes in equity should give reconciliation between opening and closing balances for each component of equity, showing:

- total comprehensive income
- the effects of retrospective changes to accounting policies and retrospective restatements for errors
- transactions with owners in their capacity as owners.

As per Amendment A&B of the standard, all owner changes in equity to be presented separately from items of income and expense (so-called ‘non-owner changes in equity’). It is thus not any longer possible to present non-owner changes in equity in the statement of changes in equity.

Additional comparative statement of financial position

An additional comparative statement of financial position (balance sheet) as at the beginning of the earliest comparative period is required whenever an accounting policy is applied retrospectively or there is a retrospective restatement of items in the financial statements, or when items in the financial statements are reclassified. This is commonly called “Three columnar financial statements”.

The additional comparative statement of financial position will be needed whenever a new or amended Standard is adopted for the first time and is applied retrospectively.

Whenever the additional comparative statement of financial position is given, the related notes should also include the extra comparative figures. The purpose of this revision is to provide information that is useful in analysing an entity’s financial statements.

Other amendments

IAS 1 (Revised) requires an entity to disclose income tax relating to each component of other comprehensive income. The previous version of IAS 1 did not include such a requirement. The purpose of this new requirement is to provide users with tax information relating to these components because the components often have tax rates different from those applied to profit or loss.

The previous version of IAS 1 permitted a choice as to where entities disclosed the amount of dividends recognised as distributions to equity holders and the related per share amount: in the income statement, in the statement of changes in equity or in the notes. IAS 1 (Revised) allows dividends recognised as distributions to owners and related per share amount to be presented only in the statement of changes in equity or in the notes.

This article presents a basic guideline for users of financial statements to accept and understand the changes in the way financial statements are presented to them.

Our IFRS team are available to guide and support you for your IFRS complaint financial statements preparation needs.

Contact: Semba Jason, IFRS team

Effective dates of new standards and IFRIC interpretations

The table below lists new IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2009. Companies are required to make certain disclosures in respect of new Standards and Interpretations under IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2009

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 9	Financial Instruments	1 January 2013	Yes (extensive transitional rules apply)
Various	Annual Improvements 2010	1 January 2011 unless otherwise stated (some are effective from 1 July 2010)	Yes
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14	1 January 2011	Yes
IAS 24	Related Party Disclosures	1 January 2011	Yes (either of the whole Standard or of the partial exemption for government-related entities)
IFRS 1	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Amendment to IFRS 1)	1 July 2010	Yes
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010	Yes
IAS 32	Classification of Rights Issues (Amendment to IAS 32)	1 February 2010	Yes
IFRS for SMEs	International Financial Reporting Standard for Small and Medium-sized Entities	Immediately subject to approval within the individual jurisdiction	N/A
Various	Annual Improvements 2009	1 January 2010 unless otherwise stated (some are effective from 1 July 2009)	Yes
IFRS 1	Additional Exemptions for First-time Adopters (Amendments to IFRS 1)	1 January 2010	Yes
IFRS 2	Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2010	Yes
IFRS 1	First-time Adoption of International Financial Reporting Standards (Revised 2008)	1 July 2009	Yes
IAS 39	Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items	1 July 2009	Yes

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRIC 17	Distributions of Non-cash Assets to Owners	1 July 2009	Yes (but must also apply IFRS 3 Revised 2008, IAS 27 Revised 2008 and IFRS 5 (as amended by IFRIC 17))
IFRS 3	Business Combinations (Revised 2008)	1 July 2009	Yes (but only for periods beginning on or after 30 June 2007, and in conjunction with IAS 27 Revised 2008)
IAS 27	Consolidated and Separate Financial Statements (Revised 2008)	1 July 2009	Yes (but must be applied in conjunction with IFRS 3 Revised 2008)
IFRIC 18	Transfers of Assets from Customers	Transfers of assets on or after 1 July 2009	Yes provided the valuations and other information needed to apply the Interpretation to past transfers were obtained at the time those transfers occurred
IAS 32 and IAS 1	Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009	Yes (but must be applied in conjunction with related amendments to IAS 39, IFRS 7 and IFRIC 2)
IFRS 1 and IAS 27	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements	1 January 2009	Yes
IFRS 7	Amendments to IFRS 7 Financial Instruments Disclosures: Improving Disclosures about Financial Instruments	1 January 2009	Yes
IFRS 2	Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations	1 January 2009	Yes
IAS 1	Presentation of Financial Statements	1 January 2009	Yes
IAS 23	Amendments to IAS 23 Borrowing Costs	1 January 2009	Yes
IFRS 8	Operating Segments	1 January 2009	Yes
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009	Yes
Various	Annual Improvements to IFRSs 2008	1 January 2009 (unless otherwise stated)	Yes

Chat line

International CEO's visit

Our firm was visited by GT Global CEO Ed Nausbaum and the head of Business development Gernot Hebestriet. The team addressed a press conference during their visit and met some of our key clients. Their visit was combined with the Sub Saharan African Regional meeting that was held at Uganda.

Up the ladder

Madhavan Venkatachary was promoted as Partner – Audit. The Audit team's strength and capability increases with the introduction of the 3rd partner.



Sangeeta Aswin - Accounting team and **Semba Jason** Audit team were promoted as assistant managers.

Professional Achievements

Jay Ramesh, Managing Partner got appointed by Grant Thornton International to lead in establishing the presence of Grant Thornton in Sub Saharan Africa.

Thato Mponwane –successfully completed his professional qualification CIMA.

Steven Zgambo completed his ACCA qualification
Aswin Vaidyanathan – completed his CISA qualification.

Gomorashe Mazhokomela – completed his ACCA qualification

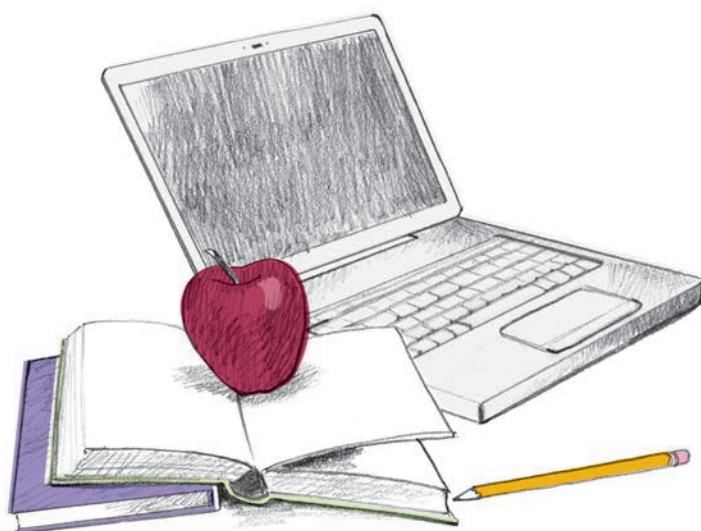
Congratulations to our stars who managed to achieve these professional qualifications along with their busy work schedule.

Training

Anjana Suresh (Anju) (Corporate Services) has been selected to attend the much sought Grant Thornton Advanced Manager's Development Programme to be held in three various countries during 2010-11.

Grant Thornton's National Training Academy, an initiative taken up by Grant Thornton South Africa conducted an Audit training, which was attended by members of our Audit team. The objective is to ensure similar training sessions across Grant Thornton National firms. Our participants benefitted a great deal from the training programmes.

Our Managers from the Advisory services team had the opportunity to attend the Specialist Advisory Services Consultancy programme conducted by Grant Thornton International.



Sports Achievements

Football – Our energetic women's team who won the Winner's Trophy at the recently held BIA /PWC soccer tournament. Our enthusiastic men's team were the Runners up Champions.



Chess – **Samuel Motlhala** has been selected as one of the Chess arbiters by the BNSC. He recently attended the FIDE Arbiters Training course, an international program for Chess officials.

Moakofi Notha won the third prize competing at the prestigious CADEC ELO tournament held at Madagascar.

Welcome

Welcome to all our new recruits who recently joined our firm. We wish them best wishes for a successful career with Grant Thornton.

Wedding Bells

Tsolofelo Boitumelo from the Marketing team recently got married to **Ellias Kethobile** on 4 September 2010.



We wish her a very happy married life.

Our Services

Assurance & Advisory Services

- Accounting services
- Audit services
- Payroll processing
- Monthly management accounts

Taxation

- Corporate and personal tax compliance and consulting
- VAT audits and consulting
- Expatriate Tax Solutions
- International Tax

Business Centre

- Manufacturing license and trading licenses
- Work and Residence permits
- Out sourcing of personnel

Company Secretarial Services

- Statutory Company Secretarial Compliance and Consulting
- Transfer Secretaries
- Incorporation of companies

Specialist Advisory Services

Business Risk Services

- Internal audit
- Regulatory & compliance risk management Internal control
- Public sector compliance consulting

Recovery and Reorganisation

- Insolvency - Personal & Corporate
- Operational & Financial restructuring
- Strategic performance reviews
- Exit strategy

Corporate Finance

- Business valuations
- Transaction support
- Lead advisory
- Capital markets - BSE Listing & Liaison

Specialist Industry Groups

- Family business consulting
- Real estate/property
- Tourism, hospitality and leisure
- Corporate benefits and wealth management

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Grant Thornton

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