Grant Thornton

Success line

September 2009

Statutory provisions for appointment of Auditors

By Corporate Services Team

According to provisions of Section 191 of the Companies Act every public company and a non exempt company shall at each Annual General Meeting appoint an auditor from conclusion of the general meeting until conclusion of next annual meeting to prepare audited financial statements or group financial statements of the company for the accounting period next after the meeting.

A private company shall qualify as a Non Exempt Company if according to the preceding year's financial statements of the company its total assets are more than P 5,000,000 or its annual turnover is more than P 10,000,000 or any of its shares are held by a company, a registered entity, a Trust or a corporation.

As per subsection 3 of Section 191 if an auditor is not appointed during the AGM and/or within one month from the AGM or a casual vacancy of auditor is not filled within one month of the vacancy occurring in an exempt or public company, The Registrar of Companies is entitled to appoint the auditor.

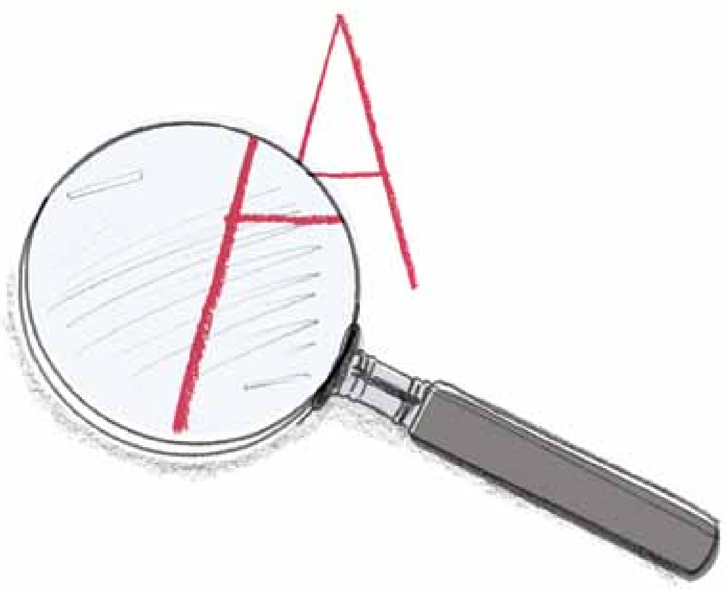
According to subsection 4 of Section 191 it is the duty of the company to inform the Registrar of Companies within five days of the power exercisable by the Registrar and give written notice to the Registrar the fact that the Registrar is entitled to appoint an auditor.

Penalty Clause

If the Company fails to comply with subsection 4 of this section i.e. if the company fails to inform Registrar of Companies about its failure to appoint auditors, the company shall be guilty of an offence under Section 492 (2) and every director of the company shall be liable to penalty under Section 493 (4).
According to Section 492 (2) - A person convicted of an offence under this section shall be liable to fine not exceeding P20,000.

Director's penalty clause under Section 492 (4) states that a person convicted of an offence against any of the provisions of the act which state that on conviction person shall be liable to the penalty set out in this subsection shall be liable to imprisonment for a term not exceeding 5 years or to a fine not exceeding P 200,000.

If your company is classified as a non exempt company as per Para 2 above or if your company is a public company we urge you to get the financial statements prepared according to International Financial Reporting Standards and appoint auditors to audit the financial statements of the company.



Central Security Depositary System

– a new technology to Botswana

compiled by Anjana Suresh – Corporate Services

Central Depositary System was implemented by the Botswana Stock Exchange in May 2008 and all companies listed in the domestic board were transferred to CSD in December 2008.

CSD is a computerised system that facilitates holding of securities in an electronic form and has paved the way for automated trading. Clearing and settlement of companies transferred to CSD takes place through CSD.

CSD has reduced systematic risks for investors since shares are credited to the investors account on the date of settlement. CSD has also introduced a monitoring mechanism that mitigates losses by investors in the event of default of payment.

We recommend all potential shareholder to register on the CSD System.

Procedures involved are as follows:

1. Unit holders of a listed company have to open a securities account with the Central Security Depositary Board (CSDB) through the broker.

2. Broker will submit the original share certificates with the deposit form to the office of the nominated transfer secretaries to convert the securities to electronic form.

3. Subsequent to ensuring the authenticity, validity and genuineness of the physical certificates the Nominated Transfer Secretaries deposit the securities to the online CSD System.

4. Upon depositing the securities into CSDB the unit holder shall continue to be registered in the register of the listed company and continue to enjoy all the rights and privileges.

5. The unit holders are thereafter able to trade on their shares through their brokers on the CSD System.

6. In the event of selling shares, the payment will be made to the sellers account by the Broker.

7. Shares purchased through CSD will be credited to the CSD account on settlement date which is transaction day plus 4 days subject to payment being made for the same.

8. Unit holders are able to keep track of their investment through the CSD statement of accounts. All activities undertaken by the investor including sale, purchase, deposit, transfer, withdrawal etc; will reflect in the statement of accounts.

9. CSD statement of accounts will reflect the balance of accounts at the beginning of a month and at the end of the month.

10. Dematted certificates can be withdrawn from the CSD system at any point of time.

11. The Transfer Secretaries upon withdrawal of dematted certificates, will issue physical share certificates in the name of the unit holder.

12. List of unit holder of any listed company would consist of both shares recorded in CSDB in an electronic form and those shares are that are held in physical form.

As Transfer Secretaries we are proud to mention that Turnstar Holdings Limited was one of the first three companies that got enrolled in the depository on 22 May 2008 followed by RPC Data Limited.

IFRS for Small and Medium-sized entities

Compiled by Aswin Vaidyanathan – Partner, Assurance Service.

The International Financial Reporting Standard for Small and Medium-Sized Entities ("IFRS for SMEs") is a simplified version of full IFRS aimed at the needs of private companies.

Published by the International Accounting Standards Board (IASB) on 9 July 2009, the IFRS for SMEs has the potential to revolutionise and harmonise financial reporting by private companies across the world.

Why has the IASB issued this Standard? In short, the answer is to respond to a demand. Full IFRS is developed primarily for publicly-traded entities. Right now over 100 countries require or permit the use of IFRS-based standards for such companies. However, there are far more privately held companies than publicly-traded ones. Many private companies prepare financial statements but, in much of the world, these statements are based on local requirements.

Now, for the first time, there is an internationally recognised reporting framework for private companies intended to assist those involved in their financing, to assess performance and make decisions on a like-for-like basis. Furthermore a cost-benefit approach has been taken in developing the IFRS for SMEs, with the emphasis being on easing the financial reporting burden on private companies.

Who can use the IFRS for SME?

The term 'Small and Medium-sized Entities' is slightly misleading. The applicability of IFRS for SMEs is not in fact based on any explicit 'size' criteria.

It is up to individual jurisdictions to decide which entities will be required or permitted to use the IFRS for SMEs.

However as per the released standard, Small and Medium-sized Entities are defined as entities that publish general purpose financial statements for external users and do not have public accountability.

An entity is publicly accountable if it:
files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; or holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (eg banks, insurance companies, and mutual funds).

Entities which hold assets in a fiduciary capacity for reasons incidental to a primary business (eg travel agents, schools and utility companies) are not however considered to be publicly accountable and can use the IFRS for SMEs.

In Botswana, further to the above definition of public accountable entities, Botswana Institute of Accountants have also defined that entities that are economically significant in Botswana may not use IFRS for SME while preparing their financial statements.

An entity will be economically significant to Botswana if, at its previous financial year-end, it exceeded TWO or MORE of the following thresholds:

- Net assets – P100 million
- Total revenue – P500 million
- Number of employees – 100 employees
- Third party borrowing – P50 million

What are the simplifications compared to full IFRS?

Compared to full IFRS, the IFRS for SMEs contains a number of simplifications. Principal amongst these are the use of simplified drafting in writing the Standard, making the final document easier to understand and follow, and a reduced number of disclosures to be made when preparing financial statements.

The IFRS for SMEs also omits a number of topics found in full IFRS that are not considered to be relevant to the needs of small and medium-sized entities.

Topics omitted from the IFRS for SMEs:

- Segment reporting
- Interim reporting
- Earnings per share
- Insurance
- Assets held for sale

The IFRS for SMEs is further simplified by including only the simpler option (or a modified version of the simpler option) in many of the areas where full IFRS has a choice of alternative accounting treatments.

In addition, the IFRS for SMEs gives greater consideration to 'cost/benefit' criteria in relation to the application of fair value accounting. For example, directors' judgement can be used in estimating the value of share-based payments and the cost model is used for biological assets (living animals or plants) unless fair value is readily determinable without undue cost or effort.

Illustrative financial statements and disclosure checklist

Unlike full IFRS, the IFRS for SMEs contains illustrative financial statements and a disclosure checklist. With around only 300 potential disclosure requirements, compared to 3,000 under full IFRS, the advantages of the IFRS for SMEs in terms of the amount of time to be spent preparing the financial statements are already clear. The point is underlined however, by the Illustrative Financial Statements that the IASB has prepared to accompany the Standard. At just 17 pages in length, they compare favourably to full IFRS financial statements which often run to over 100 pages.

Snapshot of the IFRS for SMES

Set out below is a highly summarised snapshot guide to the IFRS for SMEs, using the same section headings as the Standard. This Snapshot is intended to provide an 'at a glance' overview of the main requirements. It is not a substitute for studying the Standard itself and does not provide sufficient detail to apply the Standard's requirements.

Number	Title	Description
1	Small and Medium-sized Entities (SMEs)	Defined as entities that (a) do not have public accountability, and (b) publish general purpose financial statements for external users.
2	Concepts and Pervasive Principles	Major concepts and basic principles underlying the financial statements of SMEs, such as definitions of assets, liabilities, income and expenses.
3	Financial Statement Presentation	A complete set of financial statements comprises: a statement of financial position; either a single statement of comprehensive income, or a separate income statement and a separate statement of comprehensive income; a statement of changes in equity; a statement of cash flows; and notes, comprising a summary of significant accounting policies, other explanatory information, and comparatives.
4	Statement of Financial Position	A Statement of Financial Position consists of certain minimum line items. These items are classified as either current or non-current unless a presentation based on the liquidity of the items provides information that is more reliable and relevant.
5	Statement of Comprehensive Income and IncomeStatement	Total comprehensive income is presented in either a single statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income).
6	Statement of Changes in Equity and Statement of Income and Retained Earnings	Changes in an entity's equity for a period are presented either in a statement of changes in equity or, if certain conditions are met and an entity chooses, in a statement of income and retained earnings. A statement of income and retained earnings can be used where the only changes to the entity's equity during the period arise from profit or loss, payment of dividends, corrections of prior period errors, and changes in accounting policy.
7	Statement of Cash Flows	Changes in cash and cash equivalents are reported, showing separately changes from operating activities, investing activities and financing activities.
8	Notes to the Financial Statements	Significant accounting policies are disclosed, together with details of judgements made and key sources of estimation uncertainty.

9	Consolidated and Separate Financial Statements	A parent entity is required to present consolidated financial statements in which all its subsidiaries are included. There are some limited exceptions to this rule.
10	Accounting Policies, Estimates and Errors	Prior period errors are accounted for on a retrospective basis. Changes in accounting estimate are recognised prospectively. Changes in accounting policy are accounted for on a retrospective basis unless specific transitional provisions apply.
11	Basic Financial Instruments	An amortised cost or cost less impairment model is used for basic financial instruments such as cash, loans and trade receivables and payables.
12	Other Financial Instruments Issues	Other financial instruments are generally measured at fair value through profit or loss. Examples of such instruments include asset backed securities, options, futures contracts, forward contracts, and interest rate swaps. Hedge accounting is permitted only for certain specific types of risk. Certain conditions must be met in order to use hedge accounting. * Entities can choose to either apply the provisions of both Section 11 and Section 12 of the IFRS for SMEs in full or the recognition and measurement provisions of IAS 39
13	Inventories	Inventories are measured at the lower of cost and net realisable value.
14	Investments in Associates	Investments in associates are measured using either: • the cost model (cost less accumulated impairment); • the equity model (initial recognition at cost, with subsequent adjustments to reflect the investor's share of the profit or loss and other comprehensive income of the associate); or • the fair value model (compulsory where a published price exists for the investment).
15	Investments in Joint Ventures	A similar accounting policy election to that for associates applies to investments in joint ventures. Proportionate consolidation is not permitted.
16	Investment Property	Investment property whose fair value can be measured reliably without undue cost or effort is accounted for at fair value through profit or loss. Otherwise investment property is accounted for at cost less depreciation and impairment.
17	Property, Plant and Equipment	Property, plant and equipment is measured at cost less depreciation and impairment.

18	Intangible Assets other than Goodwill	All internally developed intangibles, including all research and development activities, are expensed as incurred. Acquired intangibles meeting the criteria for recognition are capitalised as assets and measured at cost less amortisation and impairment. All intangible assets are considered to have a finite useful life. Revaluation of intangible assets is not permitted.
19	Business Combinations and Goodwill	Goodwill is measured at cost less amortisation and impairment. Where an entity is unable to make a reliable estimate of the useful life of goodwill, its life is presumed to be ten years and amortised over that period.
20	Leases	Finance leases are recognised as an asset by the lessee. Lease payments under operating leases are recognised by the lessee as an expense. Classification of leases depends on the substance of the transaction rather than the form of the contract
21	Provisions and Contingencies	Present obligations are recognised as provisions when there is a probable outflow of economic benefits and the amount of the obligation can be estimated reliably. Contingent liabilities and contingent assets are not recognised but are disclosed in the notes.
22	Liabilities and Equity	Equity is the residual interest in the assets of an entity after deducting all its liabilities. A financial liability is a present obligation of the entity arising from past events, which is expected to result in an outflow of economic benefits.Split accounting must be applied to compound financial instruments, such as convertible debt, which contain both a liability and an equity component.
23	Revenue	For the sale of goods, revenue is recognised on transfer of the significant risks and rewards of ownership. In most cases, this will coincide with the transfer of legal title or the passing of possession to the buyer. For services and construction contracts, revenue is recognised according to the stage of completion at the end of the reporting period. Interest and royalties receivable are recognised on an accrual basis. Dividends are recognised when the right to receive payment is established.
24	Government Grants	Government grants are recognised in income when any specified performance conditions have been met. Where there are no such conditions, the grant is recognised in income upon receipt.
25	Borrowing Costs	All borrowing costs are expensed as incurred.

26	Share-based Payment	Employee share awards and share options are recognised as an expense in profit or loss over the vesting period. A corresponding credit is recognised in equity. These amounts are measured at the fair value of the instruments provided.
27	Impairment of Assets	An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount.
28	Employee Benefits	Contributions payable under defined contribution plans are recognised as expenses in the period in which they are due. For defined benefit pension plans, an entity recognises a liability for its obligations net of the plan's assets. The net change in the liability during the period is recognised as the cost of the plan during the period. Entities can choose to recognise all actuarial gains and losses in either profit or loss or in other comprehensive income.
29	Income Tax	Deferred tax is calculated using a temporary difference approach based on the difference between the carrying amount of an asset and its tax base.
30	Foreign Currency Translation	Foreign currency transactions are translated into the functional currency of the reporting entity. All monetary items and those non-monetary items which are measured at fair value are subsequently retranslated at the end of each reporting period.
31	Hyperinflation	Entities subject to hyperinflation are required to state all amounts at the prices that are current at the end of the reporting period.
32	Events after the End of the Reporting Period	Adjustment is made for events that provide evidence of conditions that existed at the end of the reporting period. No adjustment is made for events that are indicative of conditions that arose after the end of the reporting period, although they are disclosed.
33	Related Party Disclosures	Disclosures draw attention to the existence of related parties and transactions and balances with such parties.
34	Specialised Activities	Guidance is provided for three types of specialised activities - agriculture, extractive activities, and service concessions.
35	Transition to the IFRS for SMEs	Mandatory exceptions to and optional exemptions from the full requirements of the IFRS for SMEs enable the Standard to be applied more easily by entities adopting it for the first time.

Excerpts taken from Grant Thornton International IFRS News Special Edition IFRS for SME's.

Chat line

Sub Saharan Regional Council meeting

Grant Thornton, Botswana hosted the Sub Saharan Africa Regional Council (SSARC) meeting in April this year. There were representatives from seven countries from the Sub Saharan region who attended the conference. Alex MacBeath, Grant Thornton Global Leader of Privately Held Business services, was the invited Guest for the meeting.

Jay Ramesh our Managing Partner was re elected to be the Chairman of the SSARC Council once again.

Besides attending the meeting the guests also got an opportunity to learn about the culture and tradition of Botswana during one of the social evenings.

Congratulations

Congratulations to our Volley Ball team who won the bronze medal prize in the BIA Volley Ball tournament held in September.

Congratulations to the successful AAT student Mogaetsho Ratshosa who completed his courses. We wish him a good career ahead.

Congratulations to our Partners and Directors who bagged the prize for the best Team Spirit team at a key social event at the National Business Meeting hosted by GT RSA. Keep up the same team spirit that keeps our flag flying high!

Congratulations to our Specialist Advisory Services Team Partner Vijay Kalyanaraman in being elected as the Vice President of the Botswana Institute of Accountants for the year 2009 -10.

New recruits

Welcome to all the new recruits who joined our firm during the second quarter of the year. We wish you all the very best in your future with the firm.

Training

Our Audit personnel went through an intensive interactive training session on the latest Grant Thornton Audit tool and methodology and also to keep abreast with the proposed changes in Internatinal Standards in Auditing. This training equips our team to attain and deliver high quality world class Audit.

Wedding Bells

Tlamelo our Audit team staff exchanged the wedding ring with Itumeleng. Best Wishes to the newly wedded couple!

Cultural week

The Setswana cultural week got a catch into our firm too. All our ladies came decked up in their traditional costume. There was a parade of all the women in their traditional attaire. It was a colourful and vibrant display of beautiful Botswana.

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