



Grant Thornton

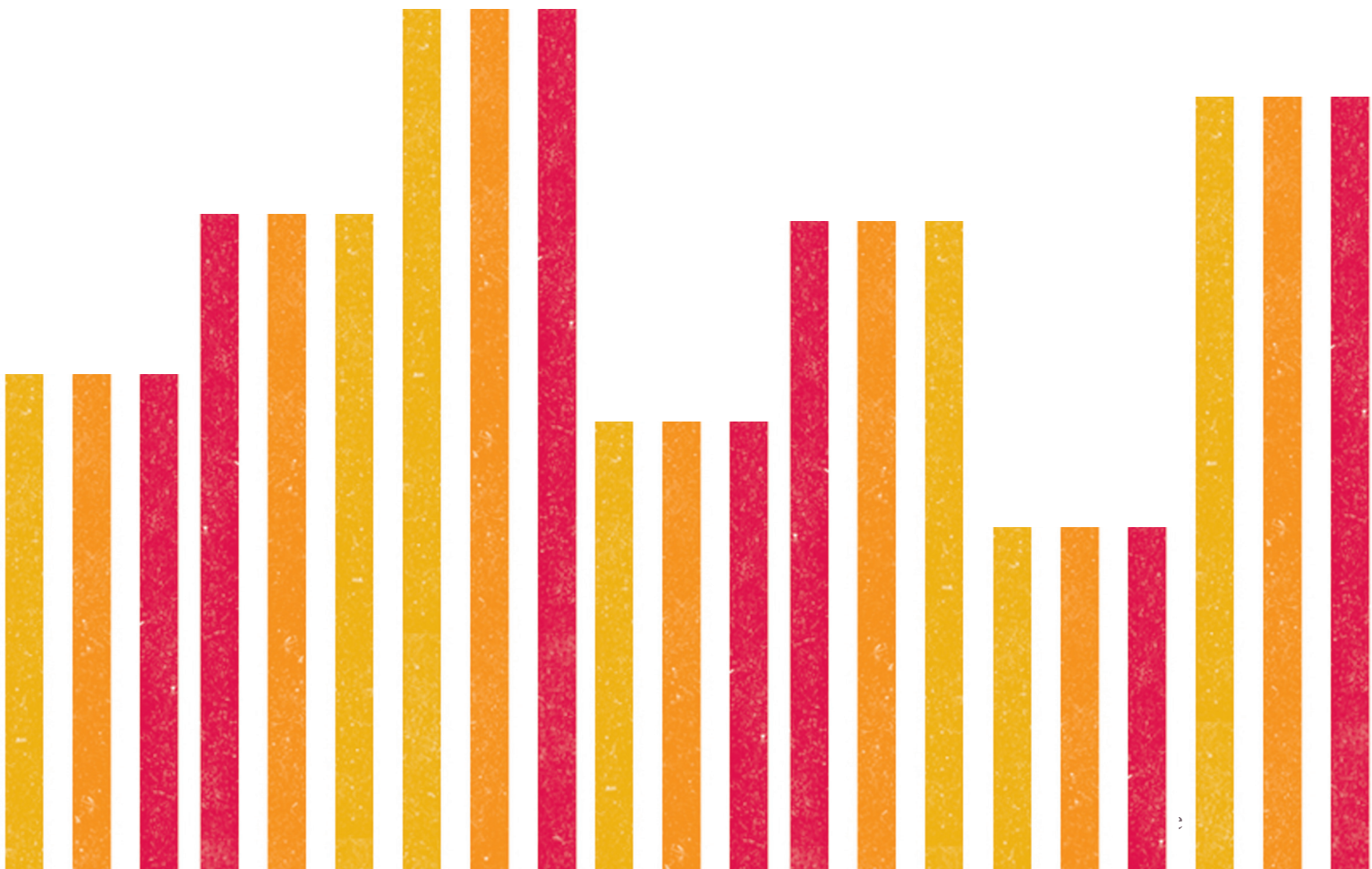
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# Success line

October 2016

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# Grant Thornton continues to make a difference in the community

By the Marketing, Communications and Business Development team

**For many years, Grant Thornton Botswana (a member firm of Grant Thornton International Limited - GTIL) has been committed to making a difference in people's lives and giving back to the local community through various Corporate Social Responsibility activities.**

Last year GTIL started an initiative called GT (GROWING TOGETHER) IN THE COMMUNITY which is a core pillar of their global strategy and the basis of their annual "Global CSR Day". On this day, Grant Thornton member firms engage in community service, collectively celebrate giving back to the communities in the countries in which they operate, and make contributions to worthy organisations all over the world.

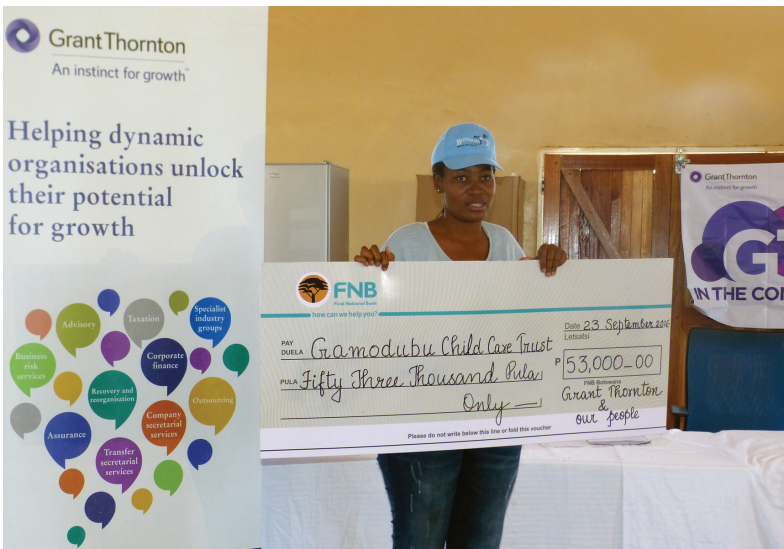
This year Grant Thornton Botswana selected Gamodubu Child Care Trust as their CSR project recipient. The Trust is a non-profit organisation which was started by Shirley Madikwe in 2003 and currently houses over 235 children who come from different disadvantaged backgrounds.

As a home grown firm whose existence is deep rooted in the people and community of Botswana, Grant Thornton strives to grow the country and its vision of a compassionate and caring nation. "Grant Thornton believes in giving back and being part of the community. We have been supporting various deserving organisations in Botswana over the last few decades, through our contributions and time dedicated to community service. Gamodubu Child Care Trust situated in the Gamodubu village truly deserves attention and hence this year we decided to make a difference to the lives of the children who live at this centre", said Pushpa Ramesh, Grant Thornton Botswana's Head of People and Culture and CSR Champion.

On Global CSR Day, Grant Thornton Botswana closed their office for the day and over 120 staff members spent quality time with the children of the Gamodubu Child Care Trust - got to know them, engaged them with various activities, and enjoyed a scrumptious lunch with them. They also took time to understand the day-to-day challenges the volunteers face, and how they manage to overcome them. A contribution to the total value of P53 000 was made by Grant Thornton and its staff, which included providing wiring and electricity to the ablutions and the yard, a geyser, a fridge, food and toiletries supply for the centre.

Ramesh further mentioned, "The Trust is situated far from the city of Gaborone, and often help does not reach remote areas like Gamodubu. That is the reason why we decided to choose this centre. I am happy to say that the day brought a lot of joy to our hearts as we saw the smiles on the little ones' faces. This in retrospect echoes Grant Thornton's values, and that giving back to the community is at the core of our corporate culture. We're proud to say that today we contributed to the wellbeing of the children of Gamodubu".

Vice Chairperson of the Board of Gamodubu Child Care Trust, Shathani Karen Ngada said, "Grant Thornton comes as an answer to our prayers. It is a good stepping stone for us to reach our goals. I appeal to every Motswana to give a helping hand in every child's life to make their lives better". The staff of Grant Thornton Botswana are of the same sentiment, and urge local companies to commit to making a positive difference in local communities, for the long-term betterment of the country.



# 10 things you need to do before a regulator comes knocking

Source: Grant Thornton International Limited

All regulated entities, at some point, will undergo an examination or review by their respective regulator(s). Receiving the notification that your organization will be subject to an examination can be stressful—and even more so if your organization is not fully prepared for the review or if you're uncertain about the level of your organization's compliance with its regulatory obligations.

To alleviate stress, organizations should start preparing for their next regulator visit as soon as the current one ends. Preparation should be a year-round task that forms part of an entity's ongoing operational effort. It's normal to feel a little nervous before a regulator visit.

Here are 10 things you can do to get ready:



### Check and double-check.

Ensure the effectiveness of suspicious activity monitoring and reporting processes, know your client (KYC) policies, higher risk client identification, enhanced due diligence and monitoring, politically-exposed person (PEP) and Sanctions Screening, etc.

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### Make information available to the regulator.

Make the following information available: the entity's AML compliance testing, including any reviews by internal audit or an external service provider, the results and any remedial actions taken or to be taken.

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### Identify the issues yourself, before they do.

If there are potential issues or deficiencies that are self-evident, the entity should consider identifying them to the regulator in advance.

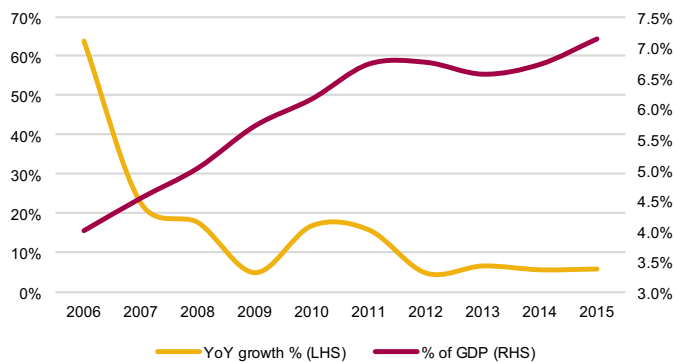
It's easy to get caught up in the anticipation of a regulator visit. Make sure you plan ahead, have a solid understanding of your current status and have all the appropriate information accessible. These can go a long way to making the regulator visit a little more pain-free.



# Check your steps before you serve

By Arindam Ghosh – Advisory

**The BWP 6.1 billion hotels and restaurants industry in Botswana currently contributes over 7% of the country's Gross Domestic Product (GDP), in real terms vis-à-vis 4% in 2006. Over the last decade, this industry has grown at an impressive Compounded Annual Growth Rate (CAGR) of 15%, outperforming the economy in all years, except 2013.**



**Graph:** Annual growth rate and contribution to GDP - Hotel and restaurant industry (Source: Statistics Botswana)

The hotels and restaurants industry is currently the fourth largest in Botswana, after mining, trade / retail & wholesale and real estate. So, what is driving this industry?

## Demand side drivers

- Changing demographics with % of population within the 18 – 35 years' age group increasing.
- Growing affluence and higher disposable income of middle and high income groups driven by development of the consumer and service sectors.

## Supply side drivers

- Rapid emergence of organized retail and shopping malls with varying formats providing greater and better space for the food service industry.

- Foray of multi-cuisine restaurants and growth in home-delivery formats.
- Penetration of handheld devices driving access to social media and building connect between core consumers and restaurant chains.

## Key steps to setting-up a restaurant chain

For any promoter / entrepreneur planning to launch a restaurant in Botswana, there are both various operational and statutory matters to be looked at prior to taking the leap of faith.

## Operational requirements

### Restaurant location

- Identification and selection of location for outlets:
  - things to consider while selecting the location are expected footfall, rentals, suitability of renovations as per the mall / property owners' requirements, and
  - stand-alone / high-street locations may offer flexibility as compared to the shopping malls. However, footfall may be an issue for such locations.
- Lease Rental Agreements:
  - legal approval of the lease agreement,
  - opening and closing hours may be dictated, especially at shopping malls,
  - other charges such as common area cleaning and maintenance may be charged, e.g.: utilities may be charged per square meter occupied, and
  - suitability of restaurant format and / or renovations (i.e. the design of the restaurant) would have to be approved by the property centre manager at the shopping mall.

- Rental deposits:
  - these are paid by the lessee when occupying a space as a security deposit, and
  - any “key money” to be paid to the current tenant may also have to be factored in specific situations.
- Rates - these are usually embedded in the lease agreement where the lessee will pay according to the area occupied. Otherwise the rates are charged by the local city council to the property owner.

### Franchise agreement

In case the franchise route is chosen, the following key matters need to be addressed or agreed prior to signing-off the Franchise agreement:

- franchise rights - is it restricted to selected cities / outlets or national,
- franchise fee - the one time franchisee fee to be paid by the franchisee. The promoter / franchisee need to be mindful that this fee is subject to withholding tax (WHT),
- royalty - periodic royalty payments that may be based on revenues generated (these will also have WHT implications if remitted to franchisor outside Botswana),
- marketing fee - the franchisor may also include periodic payments towards marketing and promotion based on the revenue generated in addition to royalty,
- working capital requirements - the franchisor may include terms such as minimum working capital and stock requirement as a part of the franchise agreement,
- floor plan / restaurant layout from the franchisor detailing seating arrangements and how machinery will be arranged in the restaurant for optimal operations, and
- legal approval of the franchise agreement through verification of the rights and obligations of the franchisee.

### Procurement

- Capital Expenditure:
  - the design and layout of the restaurant should be in line with both global & local standards and as such enhancements would need to be made to the premises,
  - leasehold improvements would have to be approved by the property owner, and
  - import duties will arise on any or all materials that are not sourced locally.
- Selection / approval of key suppliers for and agreement on credit facilities:
  - kitchen equipment,
  - furniture & fittings,
  - other leasehold improvements,
  - computers, POS hardware & software (integration with inventory management and accounting software),
  - raw materials (food and beverages items, paper, etc.),
  - kitchen equipment,
  - branded stationery, and
  - staff uniform.

### Detailed Business Plan including market assessment and financial viability

- Market assessment / feasibility study through primary and / or secondary research:
  - assess the market size and competitor market shares within the target restaurant segment in Botswana,
  - trend in same stores (like-for-like) sales growth for outlets operated by key competitors,
  - sales growth achieved from addition of new space by key competitors in the medium-term, and
  - analysis of qualitative factors behind the movement in market size and shares.

- Components of project / start-up cost.
- Differentiated offering, customized menu and pricing policy.
- Marketing and promotion plans pre-opening (e.g.: food samples, discount offers) and post-opening (both social and print media coverage).
- Financial model with 5-7 years' projections, funding plans (equity, mezzanine and debt) and future expansion (local / regional) backed by assumptions.

### Operating manuals, systems and financial procedures

- Working capital management plan covering inventory and trade payables.
- Policies to control food cost, labour cost, sales density, revenue per employee and improvement in contribution by restaurant.
- Employee handbook and Codes of conduct and service.
- Employee contracts with salaries / wages in line with local labour laws (minimum wages, maximum working hours' requirements to be adhered to, and adherence to Workers' Compensation Act in case of any unforeseen accidents).
- Residence & work permits and entry visas for expatriate employees.
- Training manuals on customer service (server / waiter), cooking skills, and other franchisor certification requirements.
- Registration of trade logo.
- Accreditation with Botswana Qualifications Authority (BQA) - there is a training levy that is imposed on all VAT registered entities. This training levy is a national effort aimed at motivating enterprises to train their staff. Enterprises that train their employees through BQA accredited courses are eligible to claim back the cost of training up to 1.5 time of the levy.

- Point Of Sale (POS), inventory management, accounting and payroll software.
- Insurance of property, furniture & equipment, inventory and human resource.
- Financial procedures covering core areas (viz., revenue - collection and banking, procurement-inventory - payables - payment, property, furniture & equipment, and salaries & wages).

### Statutory requirements

#### Company Incorporation

- Appointing company secretaries.
- Company name registration - name reservation through the registrar of companies – minimum of three names required.
- Certificate of incorporation / registration – the company needs to have at least one resident director who will also be its public officer.
- Share certificates and Shareholders agreement.
- Details of the directors.
- Constitution of the company (Memorandum and Articles of association).
- PPADB registration (for serving wholesale customers in the public sector).
- Bank account opening:
  - detailed Know Your Customer (KYC) requirements and hence ultimate shareholding details will be needed,
  - types of transactional currencies, and
  - authorised signatories.

#### Registration for Tax

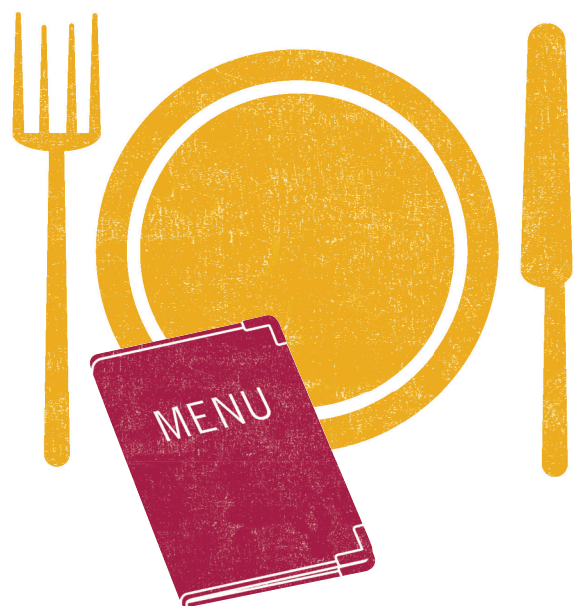
- Value Add Tax (VAT) - minimum threshold of BWP 1 million annual revenue for VAT registration.
- Pay As You Earn (PAYE).
- WHT - mainly related to rental payments to property owner and royalties, etc. to a franchisor (non-resident).



- Tax Identification Number (TIN) - prevailing corporate tax at 22% for resident companies (15% for Botswana IFSC accreditation corporations) and 30% for foreign companies.

### Licensing

- Trade license:
  - satisfactory report from physical planner for zoning confirmation to check the compatibility of the activity in the premises,
  - satisfactory environmental health report for the premises. Fire and safety requirements are looked into as part of the environment health report,
  - certified copies of identity cards for citizens and certified copies of work and residence permits for non-citizens to be produced to the respective authorities,
  - certificate of incorporation, Form 2 (which indicates the directors and their addresses), Share certificates and business name to be provided, and
  - promoters to conform to requirements for toilets and showers within the restaurant, if required.
- Liquor license (if required):
  - a requisite if alcoholic beverages are to be served or consumed at the restaurant,
  - title deed or agreement of grant of lease for business plots for proof of availability of business premises to be provided to the concerned authority,
  - satisfactory physical planner's report for zoning purposes to check the compatibility of the activity in the premises,
  - satisfactory environmental health report for the premises,
  - proof of publication in Government Gazette, Daily News or any local newspaper,
  - certified copies for identity cards for citizens and certified copies of work and residence permits for non-citizens to be produced to the respective authorities, and
  - certificate of incorporation, Form 2 (which indicates the directors and their addresses), share certificates and business name to be provided.
- Electricity (Botswana Power Corporation) - the electricity bill will be paid depending on the terms with the property owner. Usually in a shopping mall, each unit has its own electrical meter.
- Water (Water Utilities Corporation) - the property owner may either change the account to the lessee's name. Otherwise, the payment of utilities may be stipulated in the lease agreement such that the landlord either recovers from the lessee or the lessee receives the bill for their consumption from the utility company.



# Effective dates of new standards and IFRIC interpretations

Source: Grant Thornton International Limited

The table below lists new IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2014. 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 2014

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IFRS 16	Leases	1 January 2019	Yes
IFRS 9	Financial Instruments (2014)	1 January 2018	Yes (extensive transitional rules apply)
IFRS 2	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	1 January 2018	Yes
IFRS 15	Revenue from Contracts with Customers	1 January 2018*	Yes
IAS 7	Disclosure Initiative – Amendments to IAS 7 Statement of Cash Flows	1 January 2017	Yes
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	Yes
IFRS for SMEs	Amendments to the International Financial Reporting Standard for Small and Medium Sized Entities	1 January 2017	Yes
IAS 1	Disclosure Initiative (Amendments to IAS 1)	1 January 2016	Yes
IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016	Yes
IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed (was 1 January 2016)	Yes
Various	Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016	Yes
IAS 27	Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	Yes
IAS 16 and IAS 41	Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016	Yes
IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	Yes
IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016	Yes
IFRS 14	Regulatory Deferral Accounts	1 January 2016	Yes

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
IAS 19	Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	1 July 2014	Yes
Various	Annual Improvements to IFRSs 2011-2013 cycle	1 July 2014	Yes
Various	Annual Improvements to IFRSs 2010-2012 cycle	1 July 2014	Yes
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014	Yes
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2014	Yes (but only when IFRS 13 is applied)
IFRIC 21	Levies	1 January 2014	Yes
IFRS 10, 12 and IAS 27	Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)	1 January 2014	Yes
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	Yes (but must also make the disclosures required by Disclosures – Offsetting Financial Assets and Financial Liabilities)

\* changed from 1 January 2017 following the publication of 'Effective Date of IFRS 15'



## We offer

### Assurance Services

- Statutory audit
- IT audit

### Taxation Services

- Corporate and personal tax compliance and consultancy
- VAT audit, consultancy and compliance
- Expatriate tax
- International tax

### Outsourcing Services

- Accounting services
- Compilation of financial statements
- Outsourcing of personnel
- Payroll processing
- Family business consulting
- Financial statement reviews
- IFRS conversions and compliance

### Corporate Services

- Statutory company secretarial compliance & consulting
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- Manufacturing and trading license
- Transfer secretaries
- Incorporation of companies
- Minute secretaries

### Advisory Services

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- Regulatory & compliance risk management
- Internal control review
- Public sector compliance and consulting
- Forensic investigation

#### Transaction advisory

- Business valuations
- Due diligence
- Transaction support
- Lead advisory
- Capital markets – BSE listing & liaison

#### Recovery and reorganisation

- Insolvency – personal & corporate
- Operational and financial restructuring
- Strategic performance review
- Exit strategy

# Contact us

## Gaborone

Jay Ramesh – Managing Partner  
Acumen Park, Plot 50370, Fairgrounds  
P O Box 1157  
Gaborone, Botswana  
T + 267 395 2313  
F + 267 397 2357

## Francistown

Arjun Surendran – Manager  
Botswana Life House, Plot 13993/4  
P O Box 101  
Francistown, Botswana  
T +267 241 8961  
F +267 241 8962

## Editorial Panel

Aswin Vaidyanathan  
Sakshi Shukla

@ info@bwgt.com

www.gt.co.bw

@GrantThorntonBW

Grant Thornton Botswana

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# Grant Thornton

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