

success line

Grant Thornton Acumen 

...is our regular bulletin featuring news and developments that can assist your success.

Happy New Year



Managing Partner's Note

By Jay Ramesh

It is the support of our long-standing clients that has helped Grant Thornton Acumen grow from its humble beginnings in 1980 to being the largest firm of Chartered Accountants in Botswana, with two offices in Selebi Phikwe and Francistown. We are the biggest in the country by virtue of our staff complement and wide client base. Yet, in comparison with other leading firms, we have managed to keep our fees low.

Our competent partners, principals and managers, ably assisted by qualified chartered accountants and the rest of our staff will continue to offer you the personalized service and attention to detail, you have come to expect from Grant Thornton Acumen. Our growth in the market is a direct result of our ability to respond swiftly to the needs of our clients.

The current business climate

With a projected GDP growth rate of 5.5%, the economic outlook for 2005 seems positive. However, this does not necessarily mean that individual businesses will have a smooth ride. Each business still needs to be nurtured, requiring dedicated direction and internal monitoring.

In this issue

1 Managing Partner's note

2 Guest line

3 Corporate finance

4 IBOS report

5 Update on Tax

6 The chat line

Afterall, there is no point in negotiating a reduced rate with your suppliers if you are not minimizing the wastage and inefficiencies within your organization. This can have more of an impact on your bottom line irrespective of how many customers you bring in. The key is to concentrate on running an efficient, profitable business before looking to expand its size.

Botswana Unified Revenue Service (BURS)

No doubt every businessman has felt the heat of Botswana Unified Revenue Service's vigilant approach to VAT and direct tax revenues collection. While we continue to advise you on how to deal with BURS effectively, it is imperative that you also familiarise yourself with their requirements regarding VAT, direct tax laws and regulations. It is also essential that you file your returns and pay the required amount within the stipulated time period.

Congratulations

I would like to congratulate our audit team on achieving a 100% success rate in all their quality control reviews in 2004. Notably, there was a review conducted by a team from Grant Thornton, United Kingdom, as well as a review on all the audit partners' in the firm by the Public Accountants and Auditor's Board (PAAB) of South Africa. This review, organised by the Botswana Institute of Accountants, has to be passed by all the practitioners in Botswana in order to continue auditing.

Happy New Year

On behalf of the partners, directors and staff at Grant Thornton Acumen, I would like to wish you all the best for a prosperous 2005 ■

2. The Guest line

The challenges family controlled businesses face

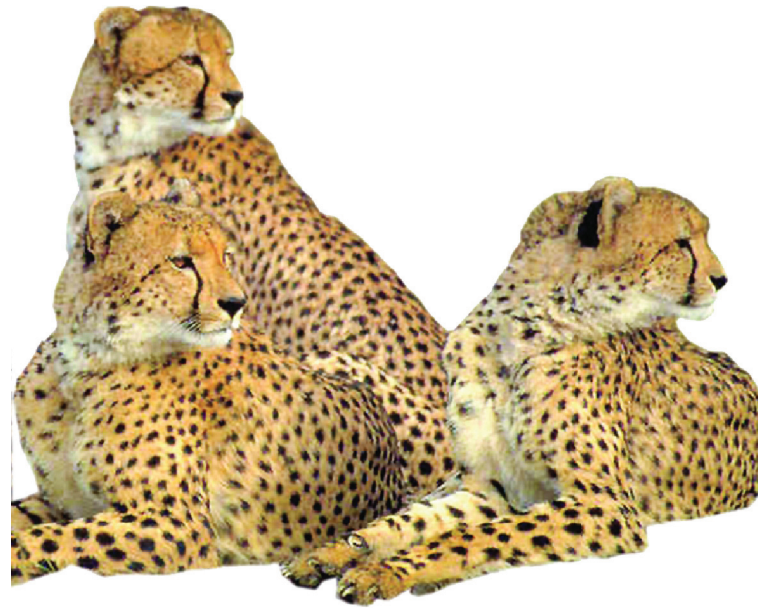
By Tony Balshaw,
Partner in charge of Family Business, East London

Family controlled businesses make an invaluable contribution to the global economy, comprising over one-third of the Fortune 500 companies. In the USA for example, family owned companies generate over half of the country's GDP and creates 78% of all new jobs. In South Africa, over 84% of all registered businesses are family-owned. Yet, despite their valuable contribution, many family businesses are destined to fail. Statistically, less than 16% of all family controlled businesses will survive through the current generation.

Essentially, the issues facing these owner-managed businesses

are no different to those facing small start up entrepreneurial businesses, medium sized businesses and large public listed companies. In order to achieve continuity and success it does not matter if you are the Wal-Marts in the USA, the Ackermans in South Africa, or the petrol filling station owner at the local shopping center; what matters is your ability to anticipate, recognize, understand and proactively deal with potentially harmful situations as well as the willingness to learn from other families in business in order to find your own unique solutions.

In this series of articles, I will endeavor to address some of the emotional, psychological and investment issues facing the family business owner. I will also offer dynamic, workable solutions to help family businesses survive beyond the current generation and Thrive!



The challenges

The issues that impede families in businesses are wide ranging, and include:

- Mistrust and unresolved family and personal issues
- Poor communication between family members
- Lack of tangible recognition
- Perceptions of nepotism
- No unifying vision or dream in the family

Other external challenges family businesses face include:

- Increased competition
- Ownership and management control
- Geographical dispersion
- Divorce and 'blended' families

In my experience, one of the main reasons for a family business failing is their inability to anticipate, plan for or address the complex problems they face in a holistic manner. However, these issues cannot be dealt with in isolation. Instead, solutions must be sought within the larger economic context in which the company operates. These solutions need to be clearly identified and implemented in a phased and structured way.

Logical framework

Often personal issues detract and inhibit family members from making rational business decisions when the heat is turned up, as happens in a succession crisis for example. In such a situation, it is difficult to remain calm and retain a clear perspective on

the real issues at hand. Below is a logical framework using the acronym G-E-N-E-R-A-T-I-O-N-S to help crystallise focus.

- G**overnance and decision-making in the family and business;
- E**ntry of the next generation into the family business;
- N**on-family executives - professional management;
- E**ducation and development of family on family business matters;
- R**emuneration and recognition;
- A**nalysis of development stages and life-cycle forces;
- T**rust, communication and conflict resolution;
- I**nfluence of values, principles, culture and commitment;
- O**wners' wealth, dividends, retirement and estate planning;
- N**ew strategies, scenarios, structures and systems;
- S**uccession from an ownership and management perspective.

Tony Balshaw is the Partner in charge of Family Business Consulting Division of Grant Thornton SA. He is a leading authority on family business and has traveled extensively, participating in related conferences and workshops both here and abroad. His book called "Thrive! Making Family Business Work" is a culmination of his years of experience of working with families and their businesses worldwide and offers practical, workable solutions to help family businesses survive ■

3. Corporate Finance... how to secure funding for your business

By Vijay Kalyanaraman
Partner – Specialist Financial Services

While there may be no lack of funds for deserving companies, trying to get financial backing for your small or medium-sized enterprise (SME) can still be a frustrating process. This suggests that there are some other complications inherent in the application process such as miscommunication between SME and the potential financier. Often, the application does not meet the financier's requirements.

The submission of more transparent business plans and projections would facilitate the free flow of information and communication between the SME and investor, thereby increasing the chances of success.

Understanding the application process

Applying for finance is not as easy as submitting your SME's financial statements. This is just one piece of information puzzle potential financiers will need in order to grant your finance requirements.

To get an investor on board, it is vital that they know more about your company than just your bottom line. The approval process involves studying a range of information such as how you got your company to this point and what you are planning to do with the financial aid to ensure the future success of your SME.

Remember that any financier is also equally interested in the future of your company. In order to assess its profitability, they will need to have a thorough understanding of your company's

vision and mission for the future. A well-defined business plan and strategy will also need to include a detailed analysis of the potential risks going forward.

So often, entrepreneurs neglect to include their intuitive understanding of how their business works. Whilst information overload is a consideration, it is imperative that the financier understands all the aspects of your business, both past and present communicated in a clear and concise manner in order to make an informed decision.

Key aspects to include in your business plan

A carefully thought out, well-structured, detailed explanation of why your SME requires finance and how you plan to repay the debt will greatly increase your chances of getting the required funding. As the manager of your SME, you should be in a position to visualise the project from its inception and going forward. Projections greatly assist in converting the ideas into numbers, duly supported by the underlying assumptions.

A few questions to ask yourself are:

- What is the current situation?
- Has the company's financial situation changed?
- If so, how does this impact on the future?

How do we sustain expansion internally?

Financiers are also interested in how your plans for the future will translate into practical terms. While growing your business on paper seems easy, managing the expansion is tricky.

The business plan must:

- Mention the infrastructure in place to deal with expansion

- Include how this infrastructure is going to be managed
- Detail how robust the systems are to various inherent problems

Structuring and matching assets and liabilities

Assets should be matched to appropriate financing. For example, long-term debt, rather than an operating line of credit, should be arranged for acquiring capital assets.

If material growth in sales is expected, venture capital might be appropriate to provide the necessary working capital and the appropriate equity base.

Points to consider when applying for funding:

In order to avoid putting all your eggs in one basket, it is good practice to approach more than one financial source. To determine which investors to approach, consider factors such as relevant business sector, the nature of assets being purchased, and the term and security for the financing.

Sources of finance

Botswana has a wide spectrum of available sources of finance, which include the following:

- Commercial banks
- Financial institutions including the National Development Bank (NDB), the Botswana Building Society (BBS), the Botswana Development Corporation (BDC)
- Venture Capital Partners
- Citizen Entrepreneurial Development Agency (CEDA) / CEMAEF

- Credit Guarantee Scheme (BECI)
- Overseas funding (for example – EU funding)

Documenting your application

The finance application should include the following:

- An executive summary
- A specific definition of your financing request
- A description of the company's plans
- A brief note of the management, abilities & systems in place
- A marketing review
- A brief history of the business
- Information about your production costs, process and sources
- Information about fixed assets such as their adequacy for operations, market values, environmental status and availability as security
- Proprietary assets / knowledge and patents
- A listing of professional advisers
- Financial statements, forecasts and assumptions, and ratio-related financial analysis ■

For any further information on any of the issues discussed, please contact:

Vijay Kalyanaraman

T: 395-2313

F: 397-2357

E: vijay@grantthornton.co.bw

4. Business bosses worldwide predict optimism & confidence

Published by Grant Thornton Internationalpe

- **Positive outlook tempered by significant impact of terrorism**
- **US bucks trend as it passes peak in economic cycle**

The first results from the 2005 Grant Thornton International Business Owners Survey (IBOS) conducted in 24 countries around the world and published recently, show that business owners of mid-sized companies worldwide are much more optimistic about the economy than a year ago.

Companies in 13 out of the 24 economies surveyed are much more optimistic than last year, with an increase of more than 10% in their optimism/pessimism balance (*see note below). Only three countries significantly buck this trend – the US, Russia and Spain – with more than a 10% drop in their optimism/pessimism balance. Expectations for investment (in new buildings and plant & machinery), a critical indicator of medium-term strength, are at the highest level in the history of the global survey and at the highest level in the EU since 2001.

Despite the overall optimistic results, however, the impact of terrorism had affected business owners' views. Nearly a third (29%) of business owners in the whole survey said that terrorism had made them more pessimistic about their economy. This was most notable in Mexico (53%), Spain (49%), Taiwan (42%), Poland (37%), Turkey (36%), Italy (35%), Japan (35%), Germany (34%), the Netherlands (31%), the US (31%) and Russia (29%).

Said [Grant Thornton spokesman]: "Terrorism has obviously had a strong impact on business opinion all over the world. But despite that, the business world is a much more optimistic place than a year ago.

"The US, the world's largest economy, may have passed the peak in its current economic cycle however, and optimism there, although high, has dropped from +78% to +62%. It seems to be a case of the US becoming less buoyant just as the rest of the world becomes more positive.

"The results are particularly welcome at a time when overall economic performance appears to have stalled. All round the world, consumer-led spending has kept economies afloat for the last few years. As that has faded, business confidence looks as though it is taking over, boosting investment which is important for the medium-term outlook."

The most optimistic business owners of all, for the second year, are in India with an optimism/pessimism balance of +88%. Raw material-producing economies such as Australia, Canada and South Africa also remain very optimistic. The greatest surge of optimism compared with last year is in Ireland (up by 72 points to +79%), Poland (up by 53 points to +21%) and two post-SARS Asian economies, Singapore (up by 92 points to +62%)

and the Philippines (up by 51 points to +50%).

Vishesh Chandio, International Practice Partner, Grant Thornton, India comments: "The pace of fiscal, economic and industrial reforms has not only continued under the new government but appears to have gathered speed. India Inc is emerging bigger, faster and stronger. With an economist at the helm of the Government, far-reaching economic reforms and the enterprise of Indian entrepreneurs, I believe India will continue to shine for some time to come."

Business owners in Japan (-27%) are the most pessimistic about their country's economy although they are much less pessimistic than last year (-46%) when they were also at the foot of the league table. Japan is now the only country with a negative balance in the survey. After Japan, the least optimistic countries are Italy (+7%), Spain (+9%), Taiwan (+14%) and Russia (+14%).

Detailed results of business owners' expectations for their own companies:

- There is increased confidence among businesses around the world particularly signalled by an expectation of investment-led growth. The optimism balance for investing in new buildings is +27%, up eight points from last year with India (+50%), Turkey (+36%), Ireland (+34%) and South Africa (+34%) topping the list. The global average of expectations for investing in plant and machinery is also up, to +40% from +35% last year. This category is led by European countries: Poland (+60%), Turkey (+58%) and Ireland (+58%).
- Prospects for employment have improved for the second year running with the optimism/pessimism balance for jobs being +34% compared to +25% last year. Business owners in India are most optimistic about employment with a balance of +59%, followed by the Philippines (+57%), the US (+55%) and Turkey (+55%). The picture is most gloomy in Europe which has the six most pessimistic countries: Germany (-7%), France (+5%), Poland (+6%), Sweden (+8%), Spain and Italy (+9%).
- There is a wide expectation that profitability will rise. The global average has increased from +42% last year to +45%. India is by far the most optimistic in terms of profitability (+75%). It is followed by New Zealand (+62%) and the Philippines (+62%). Taiwan bucks this trend with an overall negative balance (-11%).

Grant Thornton Acumen will be participating in the IBOS survey for 2006. The statistics we publish will give Botswana business owners an idea of how they compete globally. ■

* The figure is the percentage balance of the respondents who are optimistic and those who are pessimistic.

5. Are you keeping yourself updated on tax laws?

By **Hari Haran B** – senior executive Tax team

Time limit on assessment

As per the provisions of the Income Tax Act, you may not get your losses assessed if you do not file your tax returns for a tax year in time and get it assessed within 4 years from the end of tax year i.e if you have incurred losses during the tax year ending 30 June 2000, you will have to file your tax returns in time to enable it to be assessed before 30 June 2004.

The commissioner may at his discretion assess any person within a further period of 4 years from the normal time frame i.e. for 8 years from end of tax year in question where a taxpayer has failed to furnish return, furnished incorrect return or misrepresented a material fact or mistated a material fact and the income is chargeable to tax.

In case of fraud and willful misconduct no time limit is specified but taxes have to prove the fact that there is a fraud or willful misconduct and in case of estate of deceased persons time limit is within 3 years from end of tax year for which assessment is in question.

Special deduction for approved training expenditure

Applications for special deduction for approved training expenditure has to be made accompanied by details such as nature and structure of course, location of establishment, cost and duration of training with supporting invoices, copies of trainer's certification of qualifications or in case of experience, detailed curriculum vitae, details of trainees etc.

Once the training is approved, a certificate for approval will be issued by the Commissioner approving the training expenditure for a particular tax year.

Please contact our office to find out how to get a training establishment accredited as an approved training institution or to apply for special deduction for training expenditure. ■

Find out more about our new lines...

Corporate Finance services

The many different services provided under the specialist financial services banner are described below;

In a climate of growing demand we offer a range of services to help clients effect changes in ownership or funding structure of a business. We may be asked to sell a business, identify and acquire a new business, report on the suitability of a new acquisition target or help company gain a stock market listing. Clients may include existing audit clients, banks, private equity houses or independent companies.

Lead advisory – buying and selling a business, disposals.

Transaction services – reporting accountants, financial due diligence, acquisition due diligence, post-deal services.

Capital markets – public company floatations and takeover advice.

Valuations – valuing businesses for acquisitions, mergers, restructuring, tax and statutory requirements.

Project finance – financing long-term infrastructure, public services and industrial projects using a limited or non-recourse financial structure.

Recovery & Reorganisation Services

More and more businesses operate internationally and clients increasingly need recovery and reorganisation services aimed at developing solutions for under performing businesses. This service help them reorganise their operations instead of employing formal insolvency procedures. We can help companies and stakeholders find solutions to financial problem by restructuring and reorganising business activities.

Turnaround and restructuring – designing and implementing operational turnarounds and effective financial restructuring plans.

Strategic performance reviews – evaluating the financial and operational performance of a business and identifying solutions to ensure an effective turnaround.

Viability reviews – reviewing companies facing financial difficulty.

Exit strategy services – providing a tailored methodology to fully project-manage and implement the sale or closure.

Insolvency procedures – providing advice and assistance to insolvent companies, their creditors and other stakeholders.

Asset recovery – recovering assets in corporate and personal insolvencies and performing asset tracing assignments across multiple jurisdictions.

Personal insolvency – helping individuals who find themselves in financial difficulties. ■

6 The Chat line

...exciting developments at our firm.

Appointments

Joseph Makwinja was recently appointed as the Director of Human resources and Business consultancy. He has served as the General Manager of the Firm for the past five years. We wish Joe all the best in this new position.

Grant Thornton International has appointed Jay Ramesh Managing Partner as the Chairman of the Sub-Saharan African Regional Council. The Sub Saharan Region includes Botswana, South Africa, Zambia, Mauritius, Uganda, Kenya, Tanzania, Namibia and Mozambique.

Jay has also been invited to join the BOCCIM team in the High Level Consultative Committee, Trade and Industry Sectoral Forum.

Training

Our training team has been keeping our staff up to date with knowledge sharing. We had an intensive International Financial Reporting Standards (IFRS) training, Audit Methodology and Audit Software training.

An intensive soft skills training was also done that covered all the staff. This gave an insight on relationships, communication and contributed to better themselves in service as a firm.

The introduction of Centra E-training software links us to Grant Thornton offices worldwide in participating in training and video conferencing.

Achievements

Congratulations to all the participants and winners of the Volley Ball, Football, Quiz, Upkgale and Cricket tournaments hosted under the auspicious of the Botswana Institute of Accountants.

Congratulations to all our ACCA students who passed their respective exams.

Botswana Telecommunications Authority our audit client, won an award for the best presented annual report 2004 adjudged by BOCCIM and another audit firm.

Our IT team has been working hard to give a newlook to our website which will go live from early 2005.

We are looking forward to a challenging and exciting year ahead. Our commitment to give you the best continues to be our top priority ■

You are always welcome to contact us...

Gaborone

Jay Ramesh
Acumen Park
Plot 50370 Fairgrounds
P O Box 1157
Gaborone Botswana
T + 267 3952313
F + 267 3972357
E jramesh@grantthornton.co.bw

Selebi Phikwe

Aswin V
Susan Buildings
2nd Floor Room 16
P O Box 1460
Selebi-Phikwe Botswana
T + 267 2611860
F + 267 2611862
E aswin@grantthornton.co.bw

Francistown

Sunil K R
Ground Floor
Botswana Life House
P O Box 101
Francistown
T +267 2418961
F +267 2418962
E krsunil@grantthornton.co.bw

Editorial Panel

Jay Ramesh, Managing Partner;
Pushpa Ramesh, Marketing Executive
Vijay Kalyanaraman, Partner

Disclaimer

The Success line is published as a service to our clients and other interested parties. It is intended to provide practical and technical information which is of use to you in your business. Please be advised that the information contained herein is for general guidance only. Any reader intending to base a decision on information contained in this publication is advised to consult a Grant Thornton Acumen partner before proceeding.

Grant Thornton Acumen 

Certified Public Accountants & Business Advisers
Botswana member of Grant Thornton International

Advisers to the independently minded