Grant Thornton

Success line

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Welcome to Successline, our quarterly publication featuring news and development that assist your success.

From The Managing Partners Desk

By Jay Ramesh

The effects of global financial crisis has started to be felt in Botswana in the past month in the non-mining sector. The mining sector has had this effect since November last year. This being the main revenue earner for the country, the government has been active in cutting costs in every possible expenditure item of recurrent spending. We trust the development budget will be routed into the economy as promised in the budget speech.

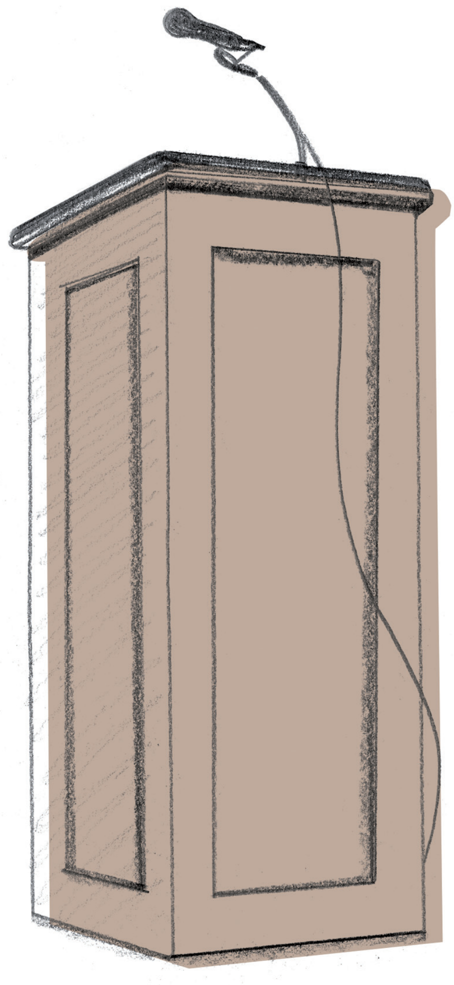
The private sector currently is having to cope with some unannounced reduction by the government of expected business allocation. Those companies that had incurred huge capital expenditure based on expected business allocation from government have had to work out the effects of this reduction in panic mode. Since this was not foreseen, the affected private sector businesses may face voluntary or forced business closures.

Botswana government has to immediately consider these adverse effects and boost the confidence of the private sector by taking appropriate steps.

The information from USA and India indicate a speedier recovery than that was predicted in the last few months. This could be cause for some confidence recovery. However, it will be prudent to keep a close watch on the various sensitive sectors and be as hands on as possible with your business and resources.

The current business scenario may also be offering interesting opportunities. Access to cash resources will enable you to use these opportunities for your advantage.

It is worthwhile to discuss the pros and cons with your business advisors at Grant Thornton prior to plunging into any action on an impulsive basis.



Companies Act, an update
by Corporate services team

The new Companies Act was launched in July 2007. We present to you a synopsis of the companies act and the new Trade and Liquor act to keep you in track of the latest.

Solvency Test

According to Section 4 of the Companies Act, a company would satisfy solvency test if:

- The company is able to pay its debts in the normal course of business
- Value of companie's assets is greater than sum of its liabilities and stated capital

For the purpose of calculating the value of assets and liabilities the directors shall consider the most recent audited financial statements in case of non exempt company and public company or most recent financial statements in case of exempt company read together with a valuation of assets and estimates of liabilities. For the purpose of satisfying the solvency test, debts shall include fixed preferential return on shares.

Responsibility of the Board

- Board of Directors is responsible to ensure that the company shall satisfy solvency test immediately after distribution of dividend to shareholders.

- Board of Directors is responsible to ensure that the Board signs a solvency report before such dividend is distributed.

- Company shall not make any payment to acquire or redeem any share issued by the company where there are reasonable grounds to believe that the company would be unable to satisfy solvency test immediately after payment.

- A company can provide financial assistance to purchase its own shares only if the company satisfies solvency test.

- A company shall approve special resolution for reduction of stated capital only if the company satisfies solvency test.

Liabilities of Shareholders and Directors where solvency test not satisfied

- A distribution made to a shareholder at a time when company did not satisfy the solvency test immediately after distribution may be recovered by the company from the shareholder.

- Directors who signed the solvency report would be personally liable to repay to the company so much of the distribution as is not able to be recovered from shareholders.
- Directors of a company (including a holding company) who are party in allowing the company to acquire its own shares at a time when company did not satisfy solvency test, shall be jointly and severally liable to restore to the company any amount paid.

Other salient provisions regarding creation of liabilities

Creation of charges

According to Sec 125, Every company within 28 days of creation by the company of any charge need to submit Form-32 and inform Registrar of Companies about the charges created by the company. Charge means a mortgage bond or deed of hypothecation or any other lease created by securing assets of the company. A Company shall submit a certification of satisfaction of the fact that the asset has been released from the Charge to the Registrar of Companies, after the mortgage bond or deed of hypothecation has been discharged.

Major transactions

According to Sec 128 of the Companies Act a company shall not enter into a major transaction or make a substantial gift unless the transaction is approved by special resolution in all cases where the value of the major transaction is more than half the value of company's assets. Major Transaction means acquisition of assets, disposition of assets, acquisition of rights or interests and incurring obligations or liabilities. Substantial gift means making voluntary contribution to charitable organization or other funds.

Amendmends to the regulations of The Companies Act 2003:

1. Close companies to submit annual returns to Registrar of Companies

2. Provides for once off amnesty to allow companies to submit disputed Annual Returns for periods prior to 3 July 2007 by paying penalty of P 300 within 12 months commencing from 1 February 2009.

3. Increase the current thresholds on the requirement for audit, from P 2 Million total assets to P 5 Million total assests or P 5 Million total assets turnover to P 10 Million turnover.

Trade Act 2003 -an update

by Business Services Team

The Trade Act 2003 replaces the old Trade and Liquor Act of 1986

- The Trade Act has abolished a number of Trade and Business Licences.
- Applicants will not be required to advertise in the Government Gazette.
- Applications are to be submitted to local Councils and not to the Department of Trade and Consumer Affairs.

The following licenses are reserved for citizens or 100 % citizen owned companies:

Auctioneer's
General Dealer
Car wash
Cleaning services
Curio shop
Fresh produce
Funeral parlour
General Clothing
Hairdresser's
Hire services
Laundromat
Petrol filling station
Takeway

The following are the new licenses included in the Act

Bookshop
Boutique
Cleaning
Curio shop
Department store
Distributor
Funeral parlour
Furniture shop
Hardware
Hire services
Laundromat
Miscellaneous

The following licenses are no longer available under the Act:

Agent's
Pharmacy
Drillers
External Representative
Travel Agent's
General Wholesaler's
Specialised Dealer
Specialised Wholesale's
Garage and Workshop
Export – Import
Licenses which do not fall within the specified categories listed have to be applied under miscellaneous.

For any further enquires or details on the above please contact our Corporate Services team:
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International Business Report-a summary

Listed below are a summary of the findings released from the IBR survey conducted in 2008-09.

Compiled by Marketing Team

Women still hold less than a quarter of senior management positions in privately held businesses

New research from Grant Thornton International reveals that women still hold less than a quarter of senior management positions in privately held businesses globally. 24% of senior management positions are currently held by women - a figure identical to 2007 and only a marginal improvement from 2004 when only 19% of senior level positions were held by women. 34% of privately held businesses globally have no women in senior management.

The greatest percentage of women in senior management is in the Philippines where women hold 47% of senior positions (see chart 1). They are followed by Russia (42%) and Thailand (38%). Botswana held up above the global average and was rated as 25% of women in senior management positions. This percentage however was lower to the last year's status of 31%. There has been a -6 percentage of fall of women in senior management positions. The lowest percentage continues to be in Japan where only 7% of senior management positions are held by women. Also appearing low down the league table are Denmark (13%) and Belgium (12%).

No pay rises at a quarter of privately held businesses in 2009 globally

Employees at nearly a quarter of privately held businesses (PHBs) around the world could be worse off in the year ahead. Research from the Grant Thornton International Business Report reveals that 21% of businesses plan to offer no pay rise in 2009 while 3% of businesses actually expect to reduce pay. This is in contrast to only 10% of businesses expecting to increase pay above the rate of inflation.

The gloomiest salary predictions come from Asia Pacific where 29% of PHBs will offer no pay rise in 2009. In a market where labour is still plentiful and there has been a fall in demand for skilled workers, jobs are valuable and employees are easier to replace. In the most extreme case, Taiwan, 72% of respondents indicated that they would offer no pay rises in 2009. With only 10% of Taiwan businesses planning to increase salaries by the rate of inflation or above the prospects look particularly bleak.

Botswana is ranked the lowest at 3% in comparison to the global average figure of 24% amongst the participating 30 countries. When asked about expectations for employment in the year ahead the majority of businesses expected to decrease rather than increase their staff members, with a global balance of -4% of businesses expecting to increase employment (compared to +33% in 2008). The most optimistic firms were in Botswana(+49%) where a positive balance of firms are expecting to increase employment in the year ahead.

Economic turbulence dictates business planning cycles amongst privately held businesses

Latest research from the annual Grant Thornton International Business Report offers new insight about how far into the future privately held businesses (PHBs) plan. The most common planning period is 1-3 years, favoured by 49% of PHBs globally. However, PHBs in mainland China are the longest term planners with 44% of businesses planning more than three years ahead. Of PHBs following a 1-3 year planning cycle, the highest proportions were in Denmark (64%), followed by New Zealand and the United Kingdom (both 60%) and India and Greece (both 59%).

Short term planning is favoured by 21% of PHBs globally and is especially common in Latin America, with 73% of PHBs in Mexico, 71% in Argentina and 43% in Chile using a planning cycle of less than 12 months. Brazil, with 30% of PHBs adopting this approach, is also well above the global average of 21%.

"There's no better time than now to take a hard look at your business and make changes to your business planning processes and strategies, wherever required," says Jay Ramsh from Grant Thornton Botswana. "Organisations, processes and supply chains that became bloated with inefficiencies that were ignored whilst profits continued to come in, will now have to be made more productive, more efficient and fundamentally more lean. While actions are needed to protect the business in the short term, a new economic environment will eventually emerge and well managed businesses with clear strategies will prosper in the long term."

Grant Thornton has the following advice for businesses wanting to plan ahead:

- stress test your plan by trying out different scenarios to assess the potential impact of changing market conditions on your business
- analyse worst case scenarios by modelling potential impacts on profit and loss, balance sheets and cash flows
- develop contingency plans to enable flexibility if circumstances change
- examine competitors strengths and think carefully about how to exploit weaknesses
- communicate the plan and tie in employee remuneration and incentives to successfully achieve your objectives.

Further information about business planning for PHBs is available in "Business planning: navigating the global downturn", a report based on the findings of this year's IBR survey and available at www.internationalbusinessreport.com

The Grant Thornton International Business Report is an annual survey of the views of senior executives in privately held businesses all over the world. Launched in 1992 in nine European countries the report now surveys over 7,200 PHBs in 36 economies providing territory, regional and global trend data on the economic and commercial issues affecting a sector often described as the 'engine' of the world's economy. Data for eight key industry sectors will be available for the first time in 2009. The research is conducted by Experian Business Strategies Ltd. Grant Thornton International donates US$5 to UNICEF for every completed IBR questionnaire, a donation of over US$39,000 in 2008.

For any further information or details please contact info@grantthornton.co.bw

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 2008. 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'.

Excepts from IFRS news publication of Grant Thornton International Limited

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2008

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
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
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	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 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

New IFRS Standards and IFRIC Interpretations with an effective date on or after 1 January 2008

Title	Full title of Standard or Interpretation	Effective for accounting periods beginning on or after	Early adoption permitted?
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
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008	Yes
IAS 39 and IFRIC 9	Embedded Derivatives – Amendments to IFRIC 9 and IAS 39	Annual periods ending on or after 30 June 2009	Yes
IAS 39 and IFRS 7	Reclassification of Financial Assets – Effective Date and Transition Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures	1 July 2008 (any reclassification made on or after 1 November 2008 takes effect from the date of reclassification. Any reclassification before 1 November 2008 can take effect from 1 July 2008 or a subsequent date)	No
IAS 39 and IFRS 7	Amendments to IAS 39 Reclassification of Financial assets: Effective Date and Transition	1 July 2008 (clarifies the transition rules mentioned above)	No
IFRIC 13	Customer Loyalty Programmes	1 July 2008	Yes
IFRIC 12	Service Concession Arrangements	1 January 2008	Yes
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2008	Yes

Going Head On: Using Critical Success Factors

by Pyoka Mfuni – Executive, Specialist Advisory Services

Business plans will be more crucial in 2009 than ever before. The current economic downturn, which has seen leading economies go into recession, will continue to force most businesses to sink. Here are some of the tips to remain on top despite the crisis.

The business world is becoming more difficult by day. This is proving that 2009 is going to be hard-hitting as most experts have predicted. Profits will dwindle, cost will escalate, staff morale will plunge, and business close up will be inevitable. All businesses will increase their sales price with minimum success. A number of haste cost reduction trials will be put into practice leading to more complications than desired business objectives.

The approach to surviving this downturn is to critically plan for the business activities this year. Overhaul your business operational system and motivate your human resource to meet the challenges ahead. You will need to think about the current market performance, industry trends and maximization of profit with the current resources within your business. How does that work?

Critical Success factors (CSFs)

It is a general principle for most business to estimate the sales and expenses for the business for a given period. As a business manager, it is imperative to note that there is more to planning than simply estimating and making inflation adjustments in our budgets. The business managers need to identify Critical Success factors (CSFs) within the organization in order to flourish in any business environment. CSFs are operational goals a business sets to monitor and assess business achievements in a given period. The business operations determine the success or failure of any organization, public or private. The philosophy behind the CSFs approach is that business managers should focus on a number of objectives vital to the success of an organization. It also requires that information should be clearly provided to enable business managers to monitor the set goals and make timely decisions. How do we set these goals?

Sources of CSFs

A management guru, Rockart identifies four general sources of CSFs;

- The industry the business is in
- Internal information; plans and strategies
- Environment – economy, consumer trends, political situations
- Current resources including employees, stock

Examples of Critical Success factors

Statistical research into CSF's on organizations has shown that there are seven key areas. These CSF's are:

1. Training and education
2. Quality data and reporting
3. Management commitment, customer satisfaction
4. Staff Orientation
5. Role of the quality department
6. Communication to improve quality, and
7. Continuous improvement

These were identified when Total Quality was at its peak, so as you can see have a bias towards quality matters. You may or may not feel that these are right or indeed critical for your organization.

The Critical Success Factors identified and prevalent in Botswana (also neighbouring countries) are captured in the mnemonic PRIMO-F

1. People - availability, skills and attitude
2. Resources - People, equipment, etc
3. Innovation - ideas and development
4. Marketing - supplier relation, customer satisfaction, etc
5. Operations - continuous improvement, quality,
6. Finance- cash flow, available investment etc

Summary Steps – Develop CSFs

In reality, identifying your CSFs is a very iterative process. Your mission, strategic goals and CSFs are fundamentally linked and each will be refined as you develop them.

Here are the summary steps that, used iteratively, will help you identify the CSFs for your business or project:

Step One: Establish your business's mission and strategic goals

Step Two: For each strategic goal, ask yourself "what area of business activity is essential to achieve this goal?" For answers to the question, refer to the sources above.

Step Three: Evaluate the list of CSFs to find the absolute essential elements for achieving success - these are your Critical Success Factors.

As you identify and evaluate CSFs, you may uncover some new strategic objectives or more detailed objectives. So you may need to define your mission, objectives and CSFs iteratively.

Step Four: Identify how you will monitor and measure each of the CSFs.

Step Five: Communicate your CSFs along with the other important elements of your business strategy.

Step Six: Keep monitoring and reevaluating your CSFs to ensure you keep moving towards your aims. Indeed, whilst CSFs are sometimes less tangible than measurable goals, it is useful to identify as specifically as possible how you can measure or monitor each one.

Key Points

Critical Success Factors are the areas of your business that are absolutely essential to it success. By identifying and communicating these CSFs, you can help ensure your business is well-focused and avoid wasting effort and resources on less important areas. By making CSFs explicit and communicating them with everyone involved, you can help keep the business on track towards common aims and goals.

Remember; the level of effort put in planning will produce a similar level of rewards.

Pyoka Mfuni joined our firm as a trainee, completed his professional qualification while working with us and currently works as an executive in our Specialist Advisory Services. Grant Thornton encourages our personnel to contribute articles and publishes them in Success line in appreciation of their contribution.

Chat line

Promotions

There have been quite a few who climbed up the ladder at the beginning of 2009.

Rajesh Narasimhan, Anthony Quashie, Anjana Suresh, Ranjitha Dinesh and Pushpa Ramesh have been promoted as Associate Directors.

Jagathese Gnana was elevated to Senior Manager and Aparna Vijay was promoted as Manager.

Congratulations to all the members and wish you success in your carreer with the firm.

Congratulations

Jagathese Gnana (IT) for successful completion of Certified Information Systems Audit(CISA) qualification. Gomorashe Mahlokozela (Specialist Advisory Services) and Monica Chuwisa(Audit team) for completing their ACCA professional course this year.

Our best wishes for their achievement and wishing many more success their way.
Vijay (Partner SAS Team) have been selected to represent BIA in the Education sectoral meetings of the High Level Consultative Council forum.

Media coverage

Our stars who were in the media this quarter.
Jay Ramesh-Manging partner gave an interview with Gabz FM on the Business show "Thinking Aloud" which covered his success in the firm and his contributions to the accounting fraternity and society.

Girish Ramakrishna –Director, Business development has been constantly appearing in the media for his outstanding contribution in promoting cricket to the children of the local community of Botswana. Girish has been honoured by the ex President Festus Mogae for his contribution towards development of cricket for the year 2008.

Girish has received an honourary invitation to represent Botswana from International Cricket Council (ICC) to attend the Annual General meeting of ICC and attend the final of ICC T20 World cup coming up in June 2009 in London as part of the Centenery celebrations of ICC.

New recruits

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

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