Grant Thornton

An instinct for growth™

Success line

April 2013

Grant Thornton named International Accounting Bulletin's Network of the Year 2013

Fantastic growth of Grant Thornton leaves the IAB award panel with only one possible winner: the International Accounting Bulletin named Grant Thornton 'Network of the Year' at an award ceremony held 14 March 2013, at the ICAEW building in London.

International Accounting Bulletin

2013 WINNER

NETWORK OF THE YEAR

GRANT THORNTON

Ed Nusbaum, global CEO, said of the award win, "Having achieved a double-digit growth rate, led the six largest accounting organisations in annual growth and embarked on a new global advertising campaign – our ambition is clear and the results speak for themselves."

"I am proud of this award and delighted that our strategy is earning us international recognition. I am determined that 2013 will be just as successful as 2012, as we drive towards achieving Ambition 2015."

Judged by an independent panel which included Sir David Tweedie, Sue Almond of ACCA and Jane Howard of Wragge & Co, firms had to demonstrate strength across a number of key areas which included; evidence of top-level network-wide audit quality, a strengthened position in strategically important markets and strong industry leadership.

The 'Network of the Year' category saw us shortlisted against BDO and Nexia International.

**Extracted from Grant Thornton International website*

Managing Partner's foreword

Warm greetings from myself and Grant Thornton for the year 2013. As an ardent supporter and well wisher of Grant Thornton, you will be thrilled to know that Grant Thornton won the "Network of the Year" award. It was awarded by the International Accounting Bulletin to Grant Thornton at an international award ceremony held in London recently.

From a local economic perspective, it is very pleasing to note that Botswana is re-entering the era of Budget surpluses. This is possible only with a bold and optimistic outlook by the leadership of the country. It calls for commitment from everyone who has a role to play in our economy. As an optimist, I firmly believe that Botswana has the internal strength to climb back to an appreciable GDP growth rate in the years' to come.

While the citizen empowerment schemes gain momentum in our country, the existing businesses have to position themselves to utilize the development and recurrent expenditure plans of the government. New investments may wait and watch for a clear resolution and speedy execution of the visa, work and residence permit process and a drastic improvement in the ease of doing business in the country. The diamond sector may demand a clear and transparent road map and ease of regulations to enable them to firmly commit themselves for the transformation of Gaborone into the next Antwerp.

At Grant Thornton, we continue to work with you to enable you to "unlock your potential for growth". Our team of excellent professionals and dedicated staff will continue to dedicate themselves in providing their sincerest services. You will be proud to work with a quality firm that has successfully passed all the quality reviews conducted by the regulators of the profession in Botswana and by Grant Thornton's International quality review team.

Let us be partners in "Unlocking your potential for growth". Wishing you all an excellent 2013.

Jay Ramesh
Managing Partner

A Simple Guide to Creditors' Voluntary Liquidation

Compiled by Vijay Kalyanaraman - Partner, Advisory Services

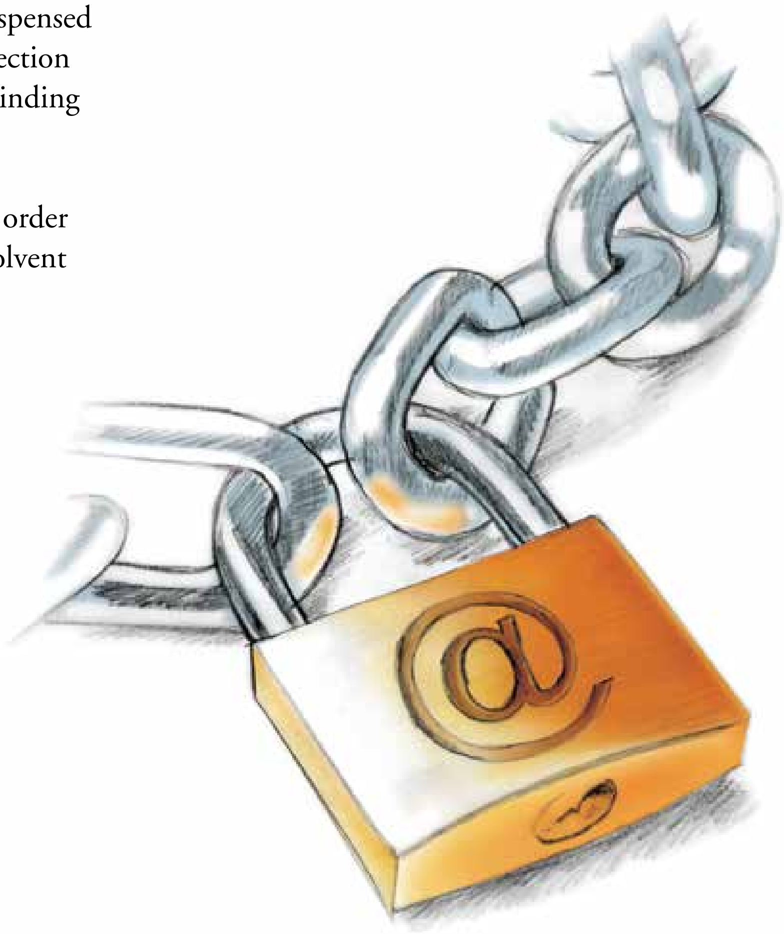
A company can be put into liquidation voluntarily, at the instigation of its directors, or compulsorily, by order of the court. **The effect, in either case, is that a liquidator is appointed to bring the company's existence to an end so that it can be dissolved.** Where the decision to go into liquidation is taken voluntarily, if the company is solvent and can pay all its creditors in full, the liquidation is termed a 'members' voluntary liquidation'. **If the company is insolvent and cannot pay all its creditors in full, the liquidation is termed a 'creditors' voluntary liquidation' which is the subject of this note.**

As per Section 409 (3) of Companies Act – Chapter 42.01 – a Voluntary winding up in any case in which security has neither been provided nor been dispensed with in accordance with the requirements of Section 409(1) – is referred as "Creditors" voluntary winding up.

Where the company is put into liquidation by order of the Court, almost certainly because it is insolvent and usually at the instigation of a creditor, the liquidation is termed 'compulsory liquidation' (or 'winding-up by the Court').

Commencement

The catalyst for a creditors' voluntary liquidation is a decision by the directors that the company is insolvent and can no longer continue to trade. No one outside the company can take any step to put



it into voluntary liquidation. The timing of the decision is in the hands of the directors, but it may be directly influenced by failure to obtain adequate finance or by the loss of a major customer.

As per Section 160 of Companies Act
- A Director of a company who is knowingly party to the contracting of a debt by the company and had, at the time the debt was contracted, no reasonable or probable expectations, that the company would be able to pay the debts, shall, on application of the liquidator or of the creditor concerned in the winding up of the company, **be liable for the whole or any part of the loss suffered by the creditor to whom the debt was incurred.**

In other words, the above section imposes potential personal liability on directors who allow a company to continue to trade beyond the point of no return, ought to persuade directors to make the required decision earlier rather than later, with the result that more funds should be available to pay the creditors.

Members' meeting

Once the decision to liquidate has been taken, the directors will call a meeting of members and a meeting of creditors, the meetings to be held in that order. **The purpose of the members' meeting is to pass the resolution placing the company in liquidation and to nominate/appoint a liquidator** (as per Section 415(1) of the Companies Act).

Although the company is in liquidation from the time the members' resolution is passed, the nominated liquidator's powers up to the time of the creditors' meeting are limited to taking control of and protecting the assets and disposing of perishable goods. Usually, the creditors' meeting is held on the same day as the members' meeting, but it can be held up to 14 days later.

Creditors' meeting

The creditors' meeting (under section 415 (1) of the Companies Act) is held so that the creditors can be informed of the company's state of affairs and can appoint a liquidator. They have the opportunity to confirm the members' choice of liquidator or to make a choice of their own if there are sufficient votes in favour. The convening and organising of the creditors' meeting is the duty of the directors, but they will usually enlist the help of an insolvency practitioner to ensure that the legal requirements are met. These requirements are:

- every known creditor must be given at least seven days' notice by post (Section 415(2))
- the notice must give the name and address of an insolvency practitioner who will supply information on the company's affairs free of charge, or an address where a list of the names and addresses of the company's creditors will be available for inspection free of charge two business days before the meeting
- the notice must be advertised in the Government Gazette and two newspapers(at least once in a newspaper) local to the company's principal place of business in the previous six months
- the meeting must commence between 10am and

4pm and be held at a place convenient to the creditors (this is best practice)

- a proxy form must accompany the notice to creditors
- the notice must state where and by when the proxy form has to be lodged for a creditor to be entitled to vote at the meeting. An individual can attend a meeting in person without lodging a proxy form but must lodge one if someone else attends the meeting on his behalf. As a company is not able physically to attend a meeting, it must appoint a person who can. Any creditor wanting to vote without attending the meeting can nominate the chairman of the meeting or someone else who will be at the meeting to be its proxy, and can instruct that person in writing to vote either in a specific manner or at that person's discretion
- the notice must specify what proof of debt is to be lodged as evidence of debt. A statement of account is usually all that is required
- the directors must prepare a statement of the company's affairs, swear it and present it to the meeting of creditors
- one of the directors must preside at the meeting
- the liquidator nominated by the members must attend the creditors' meeting and report on any powers exercised since the members' meeting
- At the meeting either the presiding director or the nominated liquidator or a solicitor will report on the state of the company's affairs and the causes of its failure. Creditors are entitled to ask questions on any matter on which they require clarification or information. A resolution will be put to the meeting for confirmation of the appointment of the members' choice of liquidator, but the creditors may put an alternative resolution that someone else (who must be an insolvency practitioner) be appointed.

A resolution is passed by a simple majority in value of those present and voting, in person or by proxy. This may be achieved by a show of hands or, if the result cannot be determined that way, by a poll.

It must be remembered that the director chairing the meeting will hold proxies that must be used to vote in accordance with the instructions of the giver of the proxy. He is likely to hold proxies representing inter-company debts and he is also likely to be a creditor for monies owed to him and he is entitled to vote on that debt. The resolution that is passed at the meeting determines who will be the liquidator of the company.

Conduct of the liquidation

In the event of Creditors Voluntary Liquidation – as per Section 416(2), **the liquidator may, without the sanction of the court and without requiring the authority from the contributories, exercise all powers given by Section 384 of the Companies Act to the Liquidator in a winding up by the court, subject to such directions as may be given by the creditors.**

The liquidator is given statutory powers and duties (Section 384) to enable him to conduct the liquidation and he will, or can, do the following:

- realise the company's assets
- bring or defend legal actions
- examine the validity of any charges over the company's assets
- examine the conduct of the director (real, de facto and shadow) prior to liquidation for evidence of malpractice, misdemeanour, misfeasance, breach of fiduciary duty or wrongful trading
- examine the company's transactions prior to liquidation for evidence of fraudulent trading, preference to one creditor over others or undervalue transactions
- agree to the claims of creditors
- distribute funds to creditors whenever it is appropriate to do so.
- The order of priority is:
- Liquidators costs and estate expenses
- Preferential creditors, employee claims for wages and pay
- Floating charge/Secured creditors
- Unsecured creditors.

Can I claim interest on my debt in the liquidation?

If the contract out of which the debt arises allows for interest, that interest can be claimed without restriction up to the date of liquidation (subject to the liquidator's power to seek a Court order to set aside all or part of an extortionate credit transaction). If the debt is due by virtue of a written instrument and is payable at a certain time, interest may be claimed from the due payment date up to the date of liquidation. If a written demand for the debt has been made giving notice, that interest would be charged from the date of demand to the date of payment.

When is a company insolvent?

A company is defined as going into insolvent liquidation when the assets are insufficient for the payment of its debts and other liabilities and the expenses of liquidation. The insolvency legislation does not, however, define precisely when a company is insolvent. It can be said that a company is insolvent either when it is unable to pay its debts as they fall due or when the value of its assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities. There are many instances of companies being technically 'insolvent' for a period of time but then returning to solvency. The real question, therefore, should not be 'when is a company insolvent?' but it has to be determined if the company has reached the point at which there is no reasonable prospect that could avoid it from going into insolvent liquidation.

Developing with Change

Compiled by Roshni Rajasekharan, Outsourcing & Tax Services

Change is an inevitable law of nature. This is very true for the accountancy profession all around the world with Botswana being no exception. This profession has been continuously evolving over the years.

Botswana Institute of Chartered Accountants was established in 1990 (then known as Botswana Institute of Accountants) in order to govern the affairs of accountants. This was essential since the number of accountants in the country was continuously increasing. Botswana Institute of Accountants continued to grow for two decades.

The first major and dynamic change occurred in 2010, when the Accountants Act of 1988 was replaced with the Act of 2010 which came into effect in 2011. With this, the name of the institute was changed to Botswana Institute of Chartered Accountants (BICA). In addition, it also led to the formation of Botswana's own professional accountancy qualification. It is anticipated that with the development of this new qualification, the professional body will become stronger, paving the way to a strong accounting profession and improved economy in Botswana. The BICA qualification is becoming widely recognised throughout the country.

The year 2012 also led to another dynamic change. An exposure draft of the new MICRO GAAP has been released this year which will become a very revolutionary change for entities from the SMME (Small, Medium and Micro Entities) category. These Generally Accepted Accounting Policies (GAAP) will provide a framework for the preparation of financial statements for entities which do not have to follow the International Financial Reporting Standards (IFRS).

Since most entities in Botswana will fall under the category of SMME, this GAAP will consequently have a huge impact on the financial reporting sector. Moreover, as this GAAP is created specifically for the Botswana market, it will be more adapted to the needs of the entities, stakeholders and other users of the financial statements.

One of the principal aims of this GAAP is to enable a more formalised financial reporting framework for SMMEs which helps to provide improved financial information while reducing the regulatory encumbrances. This will be beneficial to both the preparers and users of the financial statements. Entities preparing the financial statements will have less burden leading to lower costs of preparation of accounts. Hence, it is expected that the introduction of the new GAAP will reduce non-compliance as it will be simple and not highly resource-consuming to prepare financial statements. Likewise, the stakeholders also benefit, since more confidence can be placed on financial statements which are prepared according to certain principles and are uniform across different entities.

As mentioned earlier, the new GAAP will be more adapted to the needs of the businesses in Botswana. It will cover extensively accounting policies related to farming and agriculture. It will also deal with a limited number of users including owners & management, lenders & creditors, government and micro entity agencies. This will help to reduce the information overload for the users of the financial information.

Therefore, it is expected that as we progress with this New Year, it will bring in more new changes and as such we should acclimatise to these changes. Charles Darwin has said that "It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change".

**Extracted from BICA website, and the exposure draft for MICRO GAAP.*

Women in business: More Batswana women in senior roles

Compiled by Pulane Makepe, Marketing

To mark International Women's Day 2013 on 8 March, new research from the Grant Thornton International Business Report (IBR) reveals that globally, more women are making it into senior management roles than at any time since 2010. However, progress is slower in the G7 group of developed economies, where economic performances have been stuttering, than in the high growth economies of Asia and the Far East. Grant Thornton urges businesses in developed economies to emulate emerging market counterparts and reap the benefits of having more women in senior positions.

IBR data shows that globally, 24% of senior management roles are now filled by women. This is up from 21% in 2012 and 20% in 2011. However, the G7 economies come bottom of the league table with just 21% of senior roles occupied by women. This compares to 28% in the BRIC economies, 32% in South East Asia and 40% in the Baltic States. By comparison, Botswana with 32% surpassed both neighbouring South Africa (28%) and the rest of the world (24%). This was a slight dip from the 39% recorded in 2012. South Africa remained the same having reported 28% women in senior management positions in 2012.

Japan (7% of senior roles occupied by women, the worst performer), the UK (19%) and the USA (20%) are in the bottom eight countries for women in senior management. These economies are also experiencing low levels of growth, with GDP in Japan (1.9%), the UK (-0.1) and the USA (2.2%) in 2012 all modest. In contrast, top of the table for women in senior management is China, with 51%. GDP growth for 2012 there is expected to be between 7-8%. The top 10 also contains the growth economies of Latvia, Vietnam, Thailand and the Philippines.

Francesca Lagerberg, Head of Tax at Grant Thornton UK and incoming Global leader of Tax at Grant Thornton International Ltd, commented: "The pioneer economies where economic growth is high have greater diversity in their senior management teams. Women are playing a major role in driving the world's growth economies, bringing balance to the decision making process and the smooth running of their companies. In comparison, the mature economies of the G7 are now playing catch up.

They need to wake up to gender disparity and add this crucial ingredient to long-term growth and profitability. Women should be awarded on merit, and even if the route to the top is tougher in certain sectors and regions than others, all businesses can benefit from greater diversity in top positions."
In addition the new research from Grant Thornton's International Business Report (IBR) reveals that globally, more women are making it into senior

management roles than at any time since 2010. 24% of senior management roles are now filled by women. This is up from 21% in 2012 and 20% in 2011.

The IBR also reveals that the proportion of women in senior positions is markedly different across different sectors. Over double the number of positions in the global healthcare sector are occupied by women (45%) than in construction or mining (19%). According to the IBR, the most likely route to the top for women is revealed as follows:

The senior management position most filled by women is Chief Finance Officer (31%).
The sector with the highest proportion of senior management roles occupied by women is healthcare (45%).

The country with the highest proportion of senior management roles filled by women China (51%).
In contrast, the research reveals that the route to the top least likely to be taken by women is:
The senior management position least filled by women is Chief Information Officer (6%).
The sectors with the lowest proportion of senior management roles occupied by women are construction and mining (each 19%).

The country with the lowest proportion of senior management roles occupied by women is Japan (7%). Batswana women were found to rise to the top as Corporate / Financial Controller (26%) followed closely by General / Office Manager (25%) and then HR Director (14%). South African businesses had higher number of female CFOs (32%), followed by female HR Directors (27%) and then female Sales Directors (15%). This indicates more doors opening in the financial sector, traditionally a male-dominated sector.

How to get more women into senior roles

The IBR data reveals that flexible working, while welcomed by many, does not appear to be a determining factor in getting women into top positions. 72% of businesses in the poor-performing

G7 countries provide flexible working, while at the top of the table in China only 27% of businesses offer flexible working, and only 40% in the BRIC economies. However, 80% of respondents in Botswana, where 32% of women occupy senior management positions, are offered flexible working hours.

Francesca Lagerberg concluded: "What our research shows, is that it is good practice, and those regions adopting it are currently outperforming those who aren't."

Anjana Suresh, Partner, Corporate Services at Grant Thornton in Botswana, stated, "Today's career woman is busier than ever. From balancing work-life, starting a new business, while still holding down a day job, or just trying to fit too much into a single day; women have never been busier. A woman well known for her multi-tasking ability can manage work and home responsibility if it is absolutely necessary for her to do so with prioritisation. This comes essentially from strong family ties, support from spouse & friends.

In most cases a woman is more focused on completing the tasks in her workplace and taking care of responsibilities at home that she forgets to compete with colleagues and earn the credits she deserves. In this scenario supportive male colleagues and superiors play a major role in the career growth of women to senior positions."

Anjana Suresh
Partner, Corporate Services

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