

A large, abstract graphic of a network or sphere made of interconnected blue nodes and lines, positioned in the upper right background of the page.

Botswana

Accounting

FUNDS AND FUND MANAGEMENT 2009

1.1 Requirement to produce financial statements

Requirement to maintain the books and records in the local jurisdiction

All accounting records of Botswana regulated funds must be maintained in and updated in the country. The substantive administration and control of an undertaking must be performed in Botswana including the following activities:

- the calculation of each undertaking's net asset value and dealing price, including the updating or confirmation of prices of underlying securities;
- the calculation of income and expense accruals;
- all accounting records, including income, expenses, assets, and liabilities;
- semiannual and annual accounts;
- all detailed reconciliation including stock, custody, and register;
- the reconciliation of all bank accounts relating to the undertaking, including those relating to dividends; and
- the maintenance and servicing and unitholder's register including input, alteration, and deletion of records.

The following must be issued in Botswana:

- dividends;
- unit and unitholder's certificates or their equivalent; and
- the processing and issue of redemption requests.

Correspondence to unit holders of an undertaking, including completed application forms from investors, any other instructions from investors and all dividend or income distributions, must originate from, and be retained within, Botswana.

All back up documents underlying books and records of an undertakings must be held in Botswana where they can be audited and be subject to inspection by the regulatory authority as the regulatory authority deems appropriate.

The staff that maintains and prepares books and records under this regulation must be located in Botswana.

The above does not preclude overseas hardware and software facilities being used by Botswana fund managers, administrators or trustee, by means of direct access.

Production of financial statements by collective investment funds

Half yearly financial and annual audited accounts must be submitted to the Regulatory Authority in accordance with the Collective Investment Undertakings Regulations, 2001 (the Regulations).

The management or administration company is responsible for the preparation of the financial statements.

Choice of period/year-end for collective investment funds

Collective investment funds can choose their own year end.

Requirements for comparatives

Comparatives are required.

Restrictions on the currency under which financial statements must be prepared

There are no restrictions. The currency will be specified in the prospectus of the fund.

Accounting publications specific to the funds industry (as issued by accounting bodies or the regulators)

The regulations specify the minimum content for the half yearly and annual audited reports.

Use of short form accounts

There are no provisions in legislation for short form accounts.

Umbrella schemes

An investment company must produce accounts for all sub funds of that company in the periodic reports issued by the company. There is no requirement to produce separate financial statements for each sub fund.

However, the legislation states that a unit trust undertaking constituted as an umbrella undertaking may produce separate periodic reports for individual sub funds. If this option is taken, the report of each sub fund must name the other sub funds and state that the reports of the sub funds are available free of charge.

Classes of shares

Financial statements are required which incorporate all classes of shares. There is no requirement to produce financial statements for each class of share.

1.2 Requirement to audit financial statements

The annual financial statements of Collective investment undertakings regulated by the Bank of Botswana require annual audits. Audited accounts must be completed within four months of year end. There is no requirement to audit the interim financial statements. Non-statutory audited accounts as at the date of replacement are required by the Bank of Botswana where there is a proposal to replace third parties which have contracted directly or indirectly with the unit trust or investment company to carry out services.

The financial statements must be audited by the holder of a practicing certificate, registered with the Botswana Institute of Accountants.

1.3 Publication of financial statements

A collective investment undertaking is required to publish an annual report for each financial year and a half-yearly report covering the first six months of the financial year. These reports are to be available to the public at places specified in the prospectus. The reports are to be supplied to unitholders free of charge on request. The latest annual report and any subsequent half-yearly report published must be offered to investors free of charge before the conclusion of a contract.

The annual report must contain the following information:

- A balance sheet or statement of assets and liabilities.
- The number of units in circulation.
- The net asset value per unit.

- A portfolio statement distinguishing between the different types of investments and each investment analyzed in accordance with the most appropriate criteria in the light of the investment policy of the undertaking (such as in accordance with economic, geographical, or currency criteria) as a percentage of net assets and for each of the investments the proportion it represents of the total net assets of the undertaking shall be stated.
- A statement of changes in the composition of the portfolio during the reference period to ensure that unitholders can identify significant changes in the disposition of the assets of the undertaking and only material changes are required to be included in the published statement; Undertakings may include a declaration that a complete statement of changes will be made available to unitholders on request free of charge. Changes in the composition means aggregate purchases of a security exceeding 1 percent of the total value of purchases for the period and aggregate disposals greater than 1 percent of the total value of sales at a minimum the largest 20 purchases and 20 sales shall be given.
- Where an undertaking holds more than 10 per cent of its assets in deposits or other accounts with credit institutions, details of the amounts and the names of the institutions shall be provided.
- Undertakings holding less than 10 percent of assets in deposits or other accounts with credit institutions must submit the relevant details to the regulatory authority with their reports.
- A description of any advantageous commission arrangements affecting the undertaking during the period must be contained in the report.
- A description on how techniques and instruments permitted for the purposes of efficient portfolio management have been utilized during the period, identifying the specific techniques and instruments used during the period and indicating the purposes for the use of such techniques and instruments to allow unitholders assess the nature and the risk relating to them shall be contained in the report.
- Open derivative positions at reporting date must be marked and specifically identified in the portfolio statement.
- Information on open options must include the strike price, final exercise date and an indication whether such positions are covered or not.
- Treatment of realized and unrealized gains or losses arising from the efficient portfolio management transactions must be explained in a note to the accounts.
- Collective investment undertakings which have engaged in stock lending must disclose in a note to the accounts, the aggregate value of securities

on loan at the reporting date, together with the value of collateral held by the undertaking in respect of these securities.

- A description of any material changes in the prospectus during the reporting period.
- A list of exchange rates used in the report.

A statement of the developments concerning the assets of the undertaking during the reference period including the following:

- income from the investments;
- other income;
- management charges;
- trustee charges;
- other charges and taxes;
- net income;
- distribution an income reinvested;
- changes in capital account;
- appreciation or depreciation of investments; and
- any other charges affecting the assets and liabilities of the undertaking.

A comparative table covering the last three financial years and including for each financial year, at the end of the financial year:

- the total net asset value;
- the net asset value per unit;
- report on the activities of the financial year; and
- trustee or custodial report.

The half yearly report must contain the following information:

- a balance sheet or statement of assets and liabilities;
- number of units in circulation; and
- net asset value per unit.

A portfolio statement distinguishing between the different types of investments and each investment analyzed in accordance with the most appropriate criteria in the light of the investment policy of the undertaking in accordance with economic, geographical, or currency criteria as a percentage of net assets and for each of the investments the proportion it represents of the total assets of the undertaking shall be stated.

A statement of changes in composition of the portfolio during the reference period and to ensure that unitholders can identify significant changes in disposition of the assets of the undertaking an only material changes are required to be included in the published statement. Changes in the composition are defined as aggregate purchases of a security exceeding 1 percent of the total value of purchases for the period and aggregate disposals greater than 1 percent of the total value of sales and a minimum the largest 20 purchases and 20 sales shall be given. Undertakings may include a declaration that a complete statement of changes will be made available to unitholders on request, free of charge.

Where an undertaking holds more than 10 per cent of its assets in deposits or other accounts with credit institutions, details of the amounts, and the names of the institutions.

Undertakings holding less than 10 per cent of assets in deposits or other accounts with credit institutions must submit the relevant details to the regulatory authority with their report.

A description of any advantageous commission arrangements affecting the undertaking during the reference period.

A description on how techniques and instruments permitted for the purposes of efficient portfolio management have been utilized during the reporting period identifying the specific techniques and instruments used during the period and indicating the purposes for the use of such techniques and instruments to allow unit holders assess their nature and risk relating to them.

Open derivative positions at the reporting date must be marked and specifically identified in the portfolio statement.

Information on open option positions must include the strike price, final exercise date and an indication whether such positions are covered or not.

Treatment of realized and unrealized gains or losses arising from efficient portfolio management transactions must be explained in a note to the accounts.

Collective investment undertakings which have engaged in stock lending must disclose, in a note to the accounts, the aggregate value of securities on loan at the reporting date, together with the value of collateral held by the undertaking in respect of these securities.

A description of any material changes in the prospectus during the reporting period must be included in the report.

Where an undertaking has paid or proposes to pay an interim dividend, the half-yearly report must indicate the results after tax for the half year concerned and the interim dividend paid or proposed.

The accounts may be distributed electronically if permitted by the prospectus.

Collective investment undertakings are required to furnish monthly returns to the regulatory authority within 20 working days from the month end to which it refers. The monthly returns must contain the following information:

- total gross asset value of the undertaking at month end;
- total net asset value of the undertaking at month end;
- number of units in circulation at month end;
- net asset value per unit and month end;
- net proceeds from the issue of units during the month;
- payments made for the repurchase of units during the month; and
- net amount from issues and repurchases in a month.

Half yearly financial and annual audited accounts must be submitted to the regulatory authority within two months and four months respectively of the relevant reporting period.

Short form accounts are not permitted under Botswana law and regulations.

1.4 Accounting standards

International Financial Reporting Standards must be used for corporate entities. For non-corporate entities there is no restriction on the type of accounting standards that may be used, although International Financial Reporting Standards would tend to be followed.

1.5 Contents of financial statements

Requirements for inclusion in annual financial statements:

	Required by law	Required by GAAP (IFRS)	Complied with for Best Practice
A statement which includes all income less expenses plus realized and unrealized gains and losses	Yes	Yes	Yes
A statement which only includes income less expenses	No	No	No
A statement which only includes income less expenses plus realized gains and losses	No	No	No
Statements of net assets and liabilities	Yes	Yes	Yes
Statement of changes in net assets	Yes	Yes	Yes
Cash flow statement	No	Yes	Yes
Statement of accounting policies	No	Yes	Yes
3 year net asset value table	Yes	No	Yes
5 year net asset value table	No	No	No

1.6 Accounting treatments and disclosures

The following items must be included in the annual financial statements:

	Required by law	Required by GAAP (IFRS)	Complied with for Best Practice
Futures are shown on balance sheet using the grossed up notional amount	No	No	No
Futures are shown on the balance sheet based on the margin outstanding	Yes	Yes	Yes
Futures are shown on the balance sheet based on the margin outstanding and the margin paid to date	No	No	No
Organization costs are written off immediately	No	Yes	Yes
Organization costs are amortized over one year	No	No	No
Organization costs are amortized over more than one year	No	No	No

	Required by law	Required by GAAP (IFRS)	Complied with for Best Practice
Issue costs are charged to the statement of operations	No	No	No
Issue costs are netted off against creation proceeds	No	Yes	Yes
Contingent deferred sales charges are recorded as income	No	No	No
Contingent deferred sales charges are netted off against redemption proceeds	No	Yes	Yes
Holdings in other collective investment funds are consolidated if the fund holds > 50% of the underlying collective investment fund's shares	No	Yes	Yes
Methods used in financial statement presentation to measure listed investments are:			
Cost	No	No	No
Market value:			
bid	No	Yes	Yes
mid	No	No	No
offer	No	No	No
close	No	No	Yes
price at any time during the day	No	No	No
The financial statements distinguish between income and capital	yes	Yes	Yes

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.