

## Have you developed risk management strategies?

**All businesses operate in an ever-changing world, where different risks affect performance and, in some cases, business survival.**

Businesses need to firstly identify the risks which relate to their business, then develop strategies to minimise the risk, or have pre-prepared procedures in place if a particular risk emerges:

- Commercial Risks associated with the market and the sustainability of the business.
- Compliance/Legal Risks relates to compliance with legal requirements and other regulations.
- Environmental Risks include environmental issues that might affect your business e.g. weather temperatures, cyclones, storms, floods and droughts, plus other environmental risks such as incorrect disposal of products.
- External Risks over which the business has very little control but to which consideration should be given, such as war or economic upheaval e.g. GFC.
- Financial Risks cover a very large area including [cash flow](#), debtors and stock.
- Fixed Asset Risks – damage, deterioration or obsolescence of plant, equipment or building.
- Operational Risks including communications, email, website or electricity outage.
- Organisational Risks including key management leaving the organisation; death or disablement of senior management personnel; workforce unrest or workplace bullying, sexual harassment, discrimination, claims, staff disputes, etc.
- Reputation Risks including professional misconduct and false product claims.
- Research/Intellectual Property Risks – incorrect documentation of who owns particular inventions.
- Safety Risks – issues affecting team, customers and visitors to your premises. Have satisfactory pre-start checks being undertaken on vehicles, trains and conveyer systems?
- Security Risks such as armed robbery, brawls, theft or pilferage.
- Stakeholder Risks – change of directors, shareholders, management team and key suppliers.
- Technology Risks – continual improvements in technology to your business, keeping up to date.
- Corporate Governance Risks – directors and management understanding their responsibilities.

**If you would like to have a discussion with us about managing risk in your business, please contact us on 02 6686 3000.**

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## Government grants for small and medium business

### Export Market Development

### Grant lodgement requirements

The lodgement date of Export Market Development Grant applications for year ended 30 June 2013 is Monday 2 December 2013. If you were an exporter in the year ended 30 June 2013 and would like our assistance on completing the Export Market Development [Grant application](#) form, please [contact Collins Hume](#) on 02 6686 3000.

## Business Entities – Sole Trader

Contemplating starting a small business? Then you'll need to consider the various types of business entities. The simplest is to operate as a sole trader where you can trade under your own name, or can register a business name. A business name registration does not create a separate legal entity. Registration under a business name has no legal implications other than allowing a business to trade under that name. Even though you may have registered under a business name, you cannot prevent someone else incorporating a company with exactly the same business name.

Sole traders must include all business income received in their personal income tax return. All assets owned by the sole trader are potentially available to pay lenders/creditors of the sole trader's business, because the business has no separate legal status. If you would like to discuss business structures, please contact us 02 6686 3000.



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# Self-managed super fund borrowing strategies

## What does SMSF borrowing look like?

In 2007 the government changed the laws allowing SMSF trustees to borrow to acquire shares, residential and commercial property. In 2010, the borrowing rules were tightened to ensure that borrowing by a SMSF trustee is pretty much limited to residential, commercial and rural property.

Many Collins Hume clients have structured tax effective loans for their SMSF or, as we prefer to call them, Family Super Fund. With over 30,000 SMSFs now borrowing to acquire property, it is a great time to share some strategies you may wish to consider:

- **Transferring property into a SMSF** - a member may wish to transfer business real property that they or a related party own into the fund by way of a borrowing arrangement. But watch out for CGT and stamp duty. Business real property includes farmland, offices, factories and other commercial property.
- **Buying Big** - Borrowing lets the Trustee of a SMSF obtain leverage to acquire those assets that normally would be out of its reach. However care should be taken, as borrowing not only magnifies gains but will also magnify any losses.
- **Acquire Business Property** - Where a family trust, company or partnership owns a property from which the family business operates, this could be transferred to a SMSF as a mix of contributions and SMSF Loan by a related party. In certain circumstances the owner of the property may be able to use the small business CGT concessions in relation to the business property transfer.
- **Transferring more assets into a SMSF** - The contributions rules limit the dollar amount of contributions that may be contributed to a fund. However if the member wants to transfer a commercial property they own into their SMSF, they can use loans as well as contributions. There are no set LVR requirements for related party loans subject to the arms-length rules.
- **Use SMSF Loans regularly** - Once the SMSF trustee is comfortable using a SMSF Loan arrangement, they may want to enter into more than one arrangement to help build a portfolio of properties or shares.

There are a number of important advantages for a SMSF trustee that successfully carries out a borrowing arrangement to acquire shares, managed funds, residential property or commercial property.

Certain strategies are not suitable for all funds, so SMSF trustees should seek professional advice based on their own circumstances. Talk with Collins Hume about doing this in a structured manner on 02 6686 3000.



## Directors' duties are onerous

Directors, trusted with the responsibility of administering the company and monitoring day-to-day performance, conduct a number of key tasks:

- appointing a CEO or managing director;
- approving a company's [business plan](#), including [budgets](#) and [cash flow forecasts](#);
- review and supervision of [risk management](#) strategies;
- approving [borrowing of funds](#) by the company;
- reviewing [interim financial reports](#) and key performance indicators;
- reviewing business [benchmark](#) performance results;
- ensuring appraisals are conducted for all executives and team;
- ensuring the company has an adequate internal control system;
- monitoring exposure to foreign exchange risks if applicable;
- signing off the annual financial accounts for the company;
- monitoring shareholder's agreement to ensure the agreement is properly implemented; and
- ensuring documentation required by ASIC is lodged by the due date.

If you are a company director and would like your duties and responsibilities reviewed, contact us on 02 6686 3000.

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## Local podiatrist meets business challenges always with his best foot forward

**When podiatrist David Shaw first started out, like many young Aussies, he did a working holiday stint in the UK.**

Whilst travelling, David wrote a manifesto for going into business which included its future direction.

Little did he know that, one day, that direction would see him sharing a corridor with Collins Hume and bumping into [Peter Fowler](#).

"I started with Collins Hume as Shaw Podiatry in 2004 when we met in the hallway and would chat about surfing," says David, "They have looked after me during our transition to Rightfoot Podiatry and helped me to grow the business into one of the biggest in the region with numerous clinics."

Although running one of the two biggest podiatry firms in Australia was not always the aim.

David's vision started with home visits and, when clientele accumulated in an area, he would open a clinic or take over from an existing clinic when retiring or closing down.

"Initially Collins Hume did all the set up and structuring, helped with our merger with another podiatrist and assisted us during our growing pains."

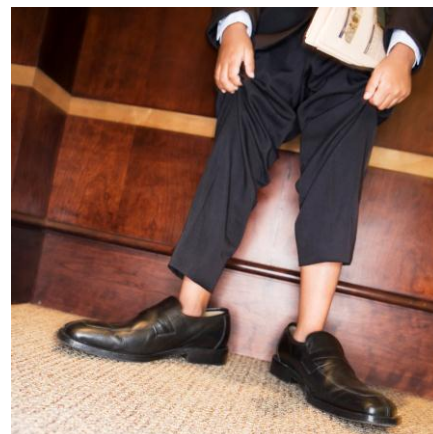
"They still look after us including my other business interest, a medical supply wholesaler that imports and sells medical products to podiatrists and other medical professionals."

"Now with two businesses to run and the trappings that go with that, I've got things like property and a clinic in the premises, so there's been structuring and division issues."

"Peter is great about offering his expertise; he doesn't care what time of the day he talks shop which makes me just feel really comfortable."

"Often what seems to be a throwaway comment can save you thousands, and Peter has done that enough times to save us thousands. When I started working with Peter, I leaned on him heavily to guide me – essentially helping me to become independent and able to run my own business."

"My father had had his own business and was good to talk to, but he would say 'ask your accountant' which I inevitably did."



"My experience as a locum and employee gave me insight into how different businesses were run."

**"I'm now at a stage where I'm exactly where I want my business to be."**

"There was always a [direction](#) and now that I'm there I still use Collins Hume as my sounding board. I keep them busy with my personal tax and anything linked personally to investments."

"We're also talking [self-managed super funds](#) now. I don't do anything without talking to Pete."

"Our business is always changing and Collins Hume is accessible and right there for me. I do feel very comfortable that I can talk with them about anything which is invaluable."

Rightfoot Podiatry is a growing company focused entirely on providing specialised diagnosis and treatment of all foot and ankle ailments. Check them out at [www.rightfoot.com.au](http://www.rightfoot.com.au).

## Getting a business ready for sale

Most businesses will require a complete review of a number of key factors, which contribute towards the achievement of a satisfactory sales value from the [sale of the business](#).

### Key Items

- Are any changes needed to improve staff performance and attitude?
- Customers – are they happy? Are there more products or services customers could purchase?
- Suppliers – have key suppliers contributed support, which is reflected in the performance of the business?
- Management – is the management team functioning at an appropriate level? Will the management team be able to drive the business' performance if the current owner is no longer involved?
- What type of financial data is available? Are sales dissected into component sales, and are gross profit percentages and gross profit contribution figures determined for each sales segment?
- What is the labour-to-turnover percentage?
- How does the business' financial performance compare with industry [benchmarks](#)?
- What is the unique selling proposition of the business?
- If the business is offering credit terms, how effective is the business' debtors' system?
- What are the business' debtors' days outstanding?
- Has all intellectual property, owned by the business, been appropriately documented, and have any ownership disputes been settled?
- Will key staff remain with the business, if the sale is negotiated?
- If key staff decided to leave, could a new owner effectively operate the business, especially in the short term?
- Have you considered offering a staff retention bonus to retain key people for a period of time after the sale, so an assurance can be given to a purchaser that, for at least a period of time (say 12 months), the key people will remain in the business?

### Action to Consider

As part of getting the business' 'house in order' to maximise the sales value, a review of the following items is advisable:

- Review of systems operating in the business – could improvements be made?
- Are steps being taken to eliminate unnecessary expenses and wastage?
- Are all business sales being appropriately recorded in the books of account?
- Does the database of customers show names, addresses, contact details and a record of previous purchases?

Cont/...



- Are the business' intellectual property records current?
- Have team members signed intellectual property agreements? Are these filed correctly?
- Do the business premises present a pleasing aspect to a potential buyer?
- Do team members require additional training so a potential buyer may be favourably impressed?
- Have you reviewed your business' key performance indicators against industry best practice?

If you own a business, the way you should build it, run it and manage it should be as if you intend to sell it, thereby doing everything to maximise its value. A key way to ensuring you maximise your [business valuation](#) is to seek objective professional advice well before you set a sell date.

An independent [valuation](#) provides you with answers to the questions you often need to ask about the value of a business. Am I getting the best price for the sale of my business? Is the asking price too much?

We are trained and experienced in [business valuations](#) and are able to provide you with simple guidelines and formulae for evaluating the worth of your business. Choose Collins Hume for a professional and accurate business valuation on 02 6686 3000.

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## Growing into a successful business that can compete

### Early Stage Commercialisation - Commercialisation Australia

The Australian government has special funding for early stage commercialisation. This program supplies grants from \$50,000 to \$2M on a 50% grant basis, to enable a business to undertake activities focusing on developing a new product, process or service to market.

Commercialisation Australia provides funding for the work necessary for installing and establishing processes, systems and services that enable a new product, process or service to be produced to a stage where it can effectively be brought to market.

The eligible applicant must be a business or individual who agrees to form a company, if their application is successful. The company must have annual turnover of less than \$50M per annum, and have the ownership, or access to the beneficial use, of any intellectual property necessary to carry out and commercialise the project.

Applicants are required to submit an accountant's letter stating that, in the accountant's opinion, the applicant company is able to fund their share of the project cost. Applicants must satisfy a merit criteria and complete the project within two years.

### Apprenticeship Grants

The Australian government has introduced a number of initiatives to assist employers who agree to employ an Australian apprentice, particularly where the apprentice is hired by a business in a trade experiencing a skill shortage.

There are number of incentive programs for employment of an apprentice and employers are entitled to various payments, depending on the category of apprenticeship, so talk with Collins Hume on 02 6686 3000 in the first instance.

### Creative Industry Grants

Funding is available to supply financial assistance for creative industries, including:

publishing	writing
architecture	photography
visual arts	television
radio	advertising
film	performing arts
music	games and interactive contents or related industries

To be eligible, a business must have:

- an Australian Company Number (ACN)
- filed a Business Activity Statement (BAS) for, at least, three years
- a minimum turnover of \$1M to a maximum of \$100M
- be solvent, and
- have not received similar business review assistance from other government agencies (federal, state or territory) within the last three years



### Creative Industries Group

The creative industries group can be formed from businesses which have common interests and may include:

- businesses with complimentary business capabilities;
- businesses involved in the same supply chain; or
- businesses working in a collaborative project.

Within a group, a member only requires a turnover of \$500,000, whilst a group must have a minimum combined turnover of \$2M.

### Special Grant Consultancy

If you are looking for specialist consulting advice on government grants, please do not hesitate to contact Collins Hume on 02 6686 3000 to find out more or to check your eligibility.

## Meet the Collins Hume team

Had little more than a passing chat with Collins Hume Partner [Chris Atkinson](#)?

Ever wondered what makes Chris tick? Or how he translates that to running a business or advising his clients?

We asked him recently - you might be surprised by his comments. Read the full article on the [Collins Hume blog](#).

## Tourism sector facing cash flow crisis

**Business growth hindered by poor cash flow? One in two business owners agree.**

[A new report](#) has found that more than half (53%) of Australian small-to-medium sized business owners said they need additional working capital of up to \$25K if they are to achieve growth over the next 12 months.

**The leisure and tourism industry was revealed as the biggest borrower of capital, with half of those questioned having taken out a business loan.**

With more than a third of Australian small business owners anticipating cash flow challenges hindering investment in business growth this year, it is clear that small business needs flexible working capital solutions to help maximise cash flow.

Predictably, **late payment** was partly to blame for the financial pressures faced by many small businesses with more than a quarter (26%) of business owners waiting up to 30 days for customers to pay. Business analysts D&B currently report the Australian average at 52 days!

The findings indicated **poor pricing strategy** (i.e. under-charging for goods and services) also a factor, as well as business owners not knowing their options for [managing cash flow](#) and working capital requirements. Additional key findings are:

- Meeting day-to-day operating expenses was the most common reason (35%) for borrowing, followed by purchasing more inventory (23%) and [business modernisation](#) (20%)
- A further 25% needing up to \$50K to boost business performance
- 70% would use the additional capital to improve marketing
- While 40% would use the money to up-skill their workforce

Poor [cash flow management](#) is the single biggest cause of failure amongst small business, not poor sales. Despite a significant number of business owners claiming they would benefit from additional working capital, just 30% have borrowed money to assist their business.

Yet it is becoming easier for small business to benefit from cash flow management strategies, such as a tapping into [government grant funding](#) assistance to free up cash reserves to make better progress with your business planning, marketing and e-commerce processes.

With a total business grant market in Australia estimated at \$5 billion annually, it's worth checking if you're eligible and then tapping into the various options available and putting in place the best solution(s) for your business.

**Need help finding and unlocking the hidden cash in your tourism business? Not sure if you qualify for grant funding? Call Collins Hume today on 02 6686 3000.**



### Grants available to businesses in the Tourism Sector

Government funding is available for businesses operating in the Tourism Sector of up to \$40,000 per business over two years. Tourism operators may include such businesses as:

- Tourism accommodation
- Tourist attractions
- Local food and beverage tasting experience
- Tour operations
- Travel agency services

To be eligible, your business must meet a number of criteria and derive a significant proportion of revenue from tourists (people who travel a round-trip distance of at least 50km from home, and would either cease to exist in its present form or would significantly be affected if tourism were to cease).

Grants are made on a 50% matching dollar basis for any approved services performed.

Some of the services that the government will approve includes but is not limited to business planning, cash flow management, marketing planning, digital media strategies, e-commerce, staff training and business mentoring and coaching.

Call Peter Fowler on 02 6686 3000 or email [peter.fowler@collinshume.com.au](mailto:peter.fowler@collinshume.com.au) and for an obligation free eligibility assessment.