

# BusinessPlus+ Newsletter



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## Issue – November 2015

### Spring Is Here

The Australian economy has “shrugged off” some of its problems.

- Retail sales increasing by around 4%.
- Record car sales month.
- Unemployment rate has steadied at about 6%.
- The Reserve Bank believes that there is some stability because they’ve maintained the record low 2% cash rate, which is now likely to continue well into 2016.
- The currency has dropped by 20% over the past year. This has definitely increased confidence for exporters and tourist organisations in Australia, even though it has increased purchasing costs for many importers.
- The Reserve Bank Chief thinks that moderate expansion is continuing.
- The retail figures are strongest in the states of NSW and VIC. Most other states are seeing some growth in retail sales.
- There is a considerably less friction in the Federal government following the change of Prime Ministership.
- There have been some announcements made by the Prime Minister Malcolm Turnbull. There are still very big decisions to be made by the government which will have an effect on business confidence and the government’s rating in the polls.
- There’s an ongoing discussion relative to tax reform and innovation. It’s very encouraging to see a Prime Minister endorsing the encouraging innovation, especially greater joint activities between businesses, universities and other research organisations.

There are now less than 2 months remaining in this calendar year. The all-important Christmas sales period will probably be ready to start by the time you read this newsletter.

Now is the time to be finalising any important strategies that need to be completed prior to the end of this year. Now is also the time to be thinking about strategies for 2016.

The mood is definitely looking a bit more upbeat than what it was a few months ago. There have been some fantastic news stories of late relative to successful Australian innovations and some Australian businesses that are exporting to all parts of the world.

Whilst all these activities are happening, “digital disruption” is still occurring. There are new computer products and the internet is being used more. Businesses just have to keep on going and utilising the technology to keep up with the developments.

If you would like to have a discussion with us relative to your planning strategies between now and the end of this year, or your grand plans for 2016, please don’t hesitate to contact us.

### Government Grants For SMEs

#### Export Market Development Grant Helps Exporters

If you exported products or services, or planned to export products or services, in the year ended 30<sup>th</sup> June 2015 and you spent more than \$15,000 on export market development activities, then you’re probably eligible to apply for an Export Market Development Grant.

That’s the good news. However, the bad news is that you have to have that grant application lodged with Austrade by 30<sup>th</sup> November 2015. If you fall under this category, please see us urgently if you need our assistance in completing the grant application.

## Government Grants For SMEs (cont'd)

The Export Market Development Grant is available for businesses with turnovers under \$50M, irrespective of the type of business structure relative to exports or planned exports to every country in the world, except New Zealand, Iran and North Korea.

The Export Market Development Grant pays an amount of up to \$150,000 (depending on the quantum of applications for the grant, there's a monetary limit in the amount of money allocated for this grant) on a 50% of eligible expenditure basis. Please note that there are some sub-limits for some of the eligible expenditure categories.

The types of expenditures that are included are:

- Overseas representations
- Marketing consultants – utilised to market your business' activities overseas
- Overseas market visits – incorporating airfares (only 65% of first class airfares may be claimed), accommodation, taxis, etc
- Communications costs
- Product samples being dispatched around the world
- Trade fair registration fees
- Promotional material
- Bringing overseas buyers to Australia
- Registration and insurance of eligible intellectual property

To claim this grant, you must have spent the funds to seek out, create demand for or develop an export market for your products. You must be the intended principal in the export transactions. The expense must have been paid by you during the financial year (ie 30<sup>th</sup> June 2015). The services must have been provided for your business and you must have evidence for the expenses, invoices, trip diaries, etc.

If you would like our assistance in the review of your systems for the Export Market Development Grant, in respect of the 2015/16 fiscal year, or assistance in the preparation of your grant application for the year ended 30<sup>th</sup> June 2015 (which has to be lodged by 30<sup>th</sup> November 2015), please contact us.

### Reminder: Research and Development

Even though your company may have registered for Research and Development in 2013/14 financial year, if your company has spent more than \$20,000 on eligible R&D in 2014/15 financial year, you have to register again. The registration deadline is 30<sup>th</sup> April 2016 or the date of lodgement of the company's, whichever is earlier. Please contact us if you would like to discuss.

## Debtors Risk

### Risk Exposure

- The business' internal system relative to undertaking due diligence on all new customers should be undertaken prior to a sale being finalised with any new customer.
- Mercantile check should be undertaken on any new applicants for credit.
- A "new customer letter" should be sent to all new customers, confirming the business' terms of trade, payment terms and, if a business is a private company, an indication that the Director's Personal Guarantee should be supplied.
- The Terms of Trade Agreements and the Retention of Title Agreements drafted by a commercial solicitor, in accordance with the Personal Property Securities Act (PPSA), should be sent to the "new customer" for signature and return.

### Risk Mitigation Strategy

- Management should check that the new client system ensures the business' system for monitoring sales contracts for new customers are being abided by.
- Management should ensure that copies of the Terms of Trade letter, Retention of Title letter, together with a copy of a signed new customer letter and a Director's Guarantee received from directors of private companies are filed in a permanent file that is able to be located when it might be required at some future date.
- Management should ensure that, as far as they can ascertain, the new client is not a potential "litigant in waiting".
- Management should be satisfied that the services being offered to the new client would be of sufficient standard, that there's no reasonable expectation that would cause legal action by the client.
- Management should ensure that there's a clear understanding of the services to be provided for the client.
- Management should ensure that there are procedures for disputes/complaints resolution as soon as practical, after any disputes/complaint issue is raised.
- A calculation of "potential exposure" for the new customer should be prepared so that a decision on whether to register on the Personal Property Securities Register (PPSR) can be made by management.

## Owner of Equipment Loses to a Liquidator

In a recent Supreme Court of Victoria case Relux Commercial Pty Ltd (in liq) vs Doka Formwork Pty Ltd, provided another example of how businesses can lose goods, if they don't comply with the Personal Property Securities Act (PPSA).

In this case, Doka Formwork didn't register a lease within the required period, being 20 business days after the security interest was created. The registration was created one day later and, as such, the assets covered by the lease were able to vest in Relux Commercial, the entity that didn't own the equipment but was the lessee from Doka Formwork.

## Security Interest Requirements And The PPSA

Submitted by AMK Law (matthewk@amklaw.com.au)

Security over assets should be registered on the PPSR because a supplier's Terms of Trade Agreement and Retention of Title Agreement cannot be relied upon alone. It's important to ensure that all of the requirements of the PPSA are abided by, including:

- Ensuring all things are done to ensure protection in accordance with the PPSA (i.e. with respect to registration, perfection of security interests);
- Reviewing the structures and arrangements between group entities relevant to that group;
- Ensuring the business' Terms of Trade Agreement and Retention of Title Agreement and other relevant agreements are legally effective including the requirements of the PPSA; and
- To ensure compliance with the PPSA, it will be necessary for all businesses to ensure that the Terms of Trade Agreement and the Retention of Title Agreements comply with the requirements of the PPSA.

*This article is of a general nature only. It is not, nor is it intended to be, specific legal advice relating to any particular entity. Each supplier and particular entity, must get professional legal advice for its own circumstances and business operations. Each individual supplier should also obtain independent legal advice applicable to their own businesses and specific circumstances as it relates to the PPSA requirements because each supplier and business is different.*

If you have any concerns relative to any aspect of the PPSA and the PPSR, please contact us.

## Business Health Checks Help

A business health check is very important. Just as you go to your GP or your dentist, probably at least on an annual basis, it's also important to assess your business' health.

We use Key Performance Indicators (KPIs) and business ratios to be able to calculate various indicators. KPIs also identify:

- gross profit percentages
- average sales
- percentage of new customers
- wages to turnover
- net profit to turnover
- sales per square metre of rented space

On their own, these ratios and KPIs don't mean much. However, when they're compared to other businesses via benchmark comparisons to your previous performance or to your budget, then they can start to give you a good indication of what's happening within your business. This can then lead to some "what if" calculations. What would be the annual turnover if changes such as the following could be effective?

First of all, analyse the current performance:

- Annual sales - \$1.8M
- Number of customers – 1,745
- Frequency of the visits – 5 times per annum
- Average sale - \$206.30

Number of visits is calculated as  $1,745 \times 5 = 8,725$

If the number of customers could be increased by 5%, the frequency of visits increased by 10% and the selling prices improve by 2%, what would be the result?

Customers –  $1,745 + 5\% = 1,832$

Frequency of visits –  $5 + 10\% = 5.5$

Number of visits –  $1,832 \times 5.5 = 10,076$

Average sale -  $\$206.30 + 2\% = \$210.42$

Projected annual turnover –  $10,076 \times \$210.42 = \$2,120,191$

This is an improvement of \$320,191 from the current annual sales of \$1.8M.

What marketing strategies – including revamp of your website, newsletter to customers and prospects, social media, customer information sessions – would you need to conduct to get this type of incremental improvements in number of customers, customer visits and selling price? Based on gross profit percentage of 34%, which would probably have increased, the business should have generated an extra gross profit from this activity of approximately \$112,000 ( $\$320,000 \times 35\%$  gross profit). There might be a few extra expenses that have been incurred in marketing activities. The business should be around \$100,000 bottom line result better off.

If you would like some assistance in preparing these types of calculations and implementing strategies for your business, please don't hesitate to contact us.

## Business Performance Analysis

It's not long till the end of 2015. January is a good time to sit down and do some analysis as to how your business has performed over the last 6 to 12 months.

- How is the business going?
- Are you happy with the results?
- Do you need assistance in the key areas of your business?
- Are you happy with the margins that you're generating in your business?
- Are your stock levels too high? If they are, are you going to feature some attractive specials as part of the Christmas sales period?
- Are you calculating the debtors' days outstanding figure each month?
- Are you implementing strategies to reduce debtors' days outstanding?
- Are you preparing budgets and cashflow forecasts? Are you then measuring your actual performance against the budgets?
- Are you aware of the requirements of the Fair Work Act, as far as your relationship with your team members is concerned?
- Are you conducting customer advisory meetings or contacting customers and getting feedback? Would you like some assistance with this?
- Are you monitoring your competitors? Would you like some assistance in understanding the strengths and weaknesses of your competitors?
- Are you aware of government grants? Would you like some assistance in identifying government grants that could be applicable to your type of business?

We're happy to have discussions with you relative to these items and any other financial management issues that may be causing your concerns in your business. Please don't hesitate to contact the accountant in our firm with whom you normally have dealings.

## Company Director Chased Over Non Payment Of Superannuation

Superannuation salary sacrifice has taken on a more concerning aspect and employers need to beware.

In a recent case in Victoria, a company director was charged with theft in regards to an employee who had been salary sacrificing superannuation for 3 years and the company had not put any of these funds into the relevant superannuation fund. Upon the discovery of this, the employee contacted the police who then laid charges. The company director was convicted and now has a criminal conviction even after personally paying the employee's unpaid salary sacrifice superannuation contributions.

### An Important Message

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*



**Our business, is understanding *your* business.**

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