

Solutions



GTC Financial
29 Roseberry Street
Gladstone QLD 4680

Tel: +61 (07) 4972 5177
Fax: +61 (07) 4972 6349

E: gctfin@gctfin.com.au
www.gctfinancial.com.au

INDEX

Business Monitoring	1
EMDG - Benefit For Early Lodgement.....	1
Export Market Development Grant.....	2
Culture Is Important!.....	2
Tough Times Are Here Again.....	3
Business Entities - Unit Trust.....	3
Business Plan - Some Questions to Consider... Part 5.....	4
What's It Mean?	4

Issue Number 29

Business Monitoring

There is talk of recession in the USA and Europe. There is a slowdown in the housing market in Australia and some significant mining companies and manufacturers in Australia are laying off staff. We are in tough economic times even though the Reserve Bank lowered interest rates by 0.25% early in September.

Some economists are forecasting CPI growth of around 2.9%; wages growth of 4.9%; further lowering in interest rates by June, 2009; and a slowdown in the economy; but still achieving a growth percentage of around 2.4% in 2008/09.

- How does all this relate to your business?
- Are your sales up or down?
- What is happening to costs?
- Are you analysing your gross profit percentage on various products and services?
- What is the wages to turnover percentage in various departments or product lines in your business?
- How does the net profit percentage compare to that achieved in previous years?
- Have you calculated the gross income per employee and compared that to other similar businesses?
- Is your business growing or is the increased activity the same as what is happening in other businesses similar to yours because of the economic activities in your area?
- Do you think you are getting your fair share of new business?
- Is your business creating value that is appreciated by you customers/clients?
- Have you benchmarked your business' performance against others in the same industry?



A detailed business diagnostic looking at the various questions that have been raised will assist you to analysis your current performance and to determine how you are going to perform in the longer term, especially in an economic downturn.

If you would like us to conduct a business diagnostic on your business, please contact us.

If you are an exporter and you are lodging an **Export Market Development Grant Application** you will receive a faster turn-a-round if you lodge the application by 30th September, 2008.

Export Market Development Grant

To be eligible for the Export Market Development Grant, your business' turnover must be less than \$30m for the year ended 30th June, 2008 and have incurred eligible export expenses of a least \$15,000 relative to:-

- promotion of the export of goods and services;
- the delivery of services outside Australia;
- promotion of in-bound tourism;
- the export of intellectual property and know-how;
- promotion of conferences and events held in Australia targeted at international attendees.



Grants are determined on the basis of 50% of eligible expenditure in excess of \$15,000. The maximum grant for the 2007/08 grant year is \$150,000.

The final date for lodgement of applications is 30th November, 2008.

Culture Is Important!

There are many attributes to creating a successful long-term business. No one attribute makes a successful business, but a combination of attributes will significantly contribute to long-term successful business performance.

These include listening to team members, customers and suppliers; learning from their comments and making changes if necessary. Virtually every week something is changing in business. To be successful, you need to keep on top of the ever-changing business climate.

Business operators need to encourage loyalty from their team members, suppliers and customers. These people will also expect loyalty from management, directors and owners.

The use of marketing tools such as

- databases on customers,
- surveying customers on what they like and don't like about your business,
- keeping webpages up to date, and
- testing the market for reaction to new products and services,

all help management get important feedback on their products/services?

Most successful businesses create strategic alliances with other people in their industry, either suppliers, similar businesses in other geographical areas that are not direct competitors, or allied organisations. Strategic alliances can significantly contribute to your knowledge base on what is happening in business.

But all these attributes fade into insignificance if there is no culture within the organisation. Culture affects every aspect of the business, shareholders, directors, management, team members, customers and suppliers. Culture is the hidden success, the icing on the cake, the attitude of team members of "going that extra distance" to satisfy customers' requirements. An attitude of a supplier making an extra late delivery to you when you need those supplies. The attitude of customers who might be prepared to overlook a late delivery because of their overall satisfaction of dealing with your business.

Culture relates to the image that your business creates in the market place:-

- How people communicate;
- Is the telephone answered in a professional business manner?
- Are telephone calls replied to?
- Are emails responded to?
- Are products delivered on time and at the required workmanship?
- Is quality a major issue in the business?
- Are staff pleasant and presentable?



Culture then is one of the major attributes of a business that will help hold the business together and will give the business that extra strength and perseverance to battle through and survive harsher economic circumstances.

Tough Times Are Here Again



The economic cycle has turned in many parts of Australia and things are getting tough for many small/medium enterprise operators and a number of larger businesses.

There have been employees laid off in the motor vehicle and mining industries in some parts of Australia.

Now is the time to take action. Tough times in business are part of the cyclical nature of business operations, but to survive you need to plan and think through how your business is going to perform.

Review the costs of operation. Can any costs be reduced?

If marketing is a necessary expenditure in your business, you should carefully evaluate the marketing expenditure and the benefits you expect from it before curtailing it. One of the things you possibly should be looking at doing now is trying to generate additional business!

An action plan listing a particular item or project; who is going to do it and when it is to be completed by, will assist in activating the plan. Are there any risky activities that you are undertaking that should be eliminated?

The key message is to be proactive in taking action to steer your business through the troubled economic conditions that are now affecting many businesses around Australia.

Business Entities - Unit Trust

A Unit Trust is different to a discretionary trust (refer Issue 28 of Business Plus+). Many small business operators use a Unit Trust for their business operations.

In a Unit Trust, the beneficiary has a fixed interest with a designated number of units similar to a partnership.

The beneficiary is called a "unit holder" and is entitled to a distribution of income in accordance with the percentage of units held in the Unit Trust.

It is not unusual in a Unit Trust for there to have been a payment made for units allocated.

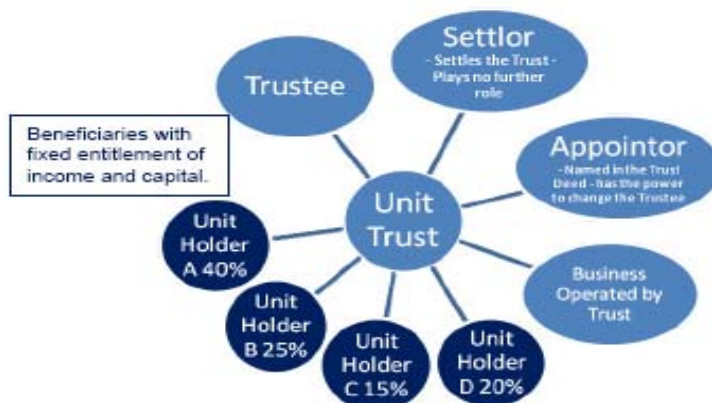
A Unit Trust is normally used when there is more than one family or group of people involved in a business operation.

A Unit Trust needs a trustee. The trustee can be a company or at least two individuals. The trustee is responsible for all day to day activities of the trust. The activities of the trust are governed by the Trust Deed. A "unit holder register" is maintained by the trustee, this records the name, address and number of units owned by each unit holder.

A Unit Trust can operate virtually any type of business. In normal circumstances, a Unit Trust does not pay income tax; the trustee must ensure there has been a distribution of the taxable income to the unit holders in accordance with the percentage that they hold in the unit trust. If the trustee does not make a distribution, then the trust has to pay income tax at the penalty rate of 46.5%.

There are special laws relating to unit trust losses and bad debts. These laws were introduced to discourage the sale of "tax losses" in unit trusts.

Example of a Unit Trust flowchart:-



Business Plans - Some Questions to Consider... Part 5

Products/Services

- What are the key features and benefits of the products/services that you are producing?
- What are the limitations of the products/services?
- What was the annual sales figure for each type of product or service over the last three years?
- What was the gross profit contribution from each product/service type over each of the last three years?
- What quantity of the various products/services was produced?
- What feedback are you obtaining from customers on the products/services?
- Do you know how the products/services compare with competitors products?
- Do you have a unique selling technique for any of the products/services?
- What are the products'/services' points of differentiation?



To be continued. There are over 50 questionnaires relating to the preparation of a business plan, this issue has considered Products/Services. In the next issue we will consider Industry and Market Analysis.

What's It Mean?

Net Profit Before Tax... the amount remaining after cost of goods sold and operating expenses have been deducted from sales or business gross income.

Net Profit After Tax... (NPAT) is the net profit less the income tax applicable to that net profit.



"Your financial solutions specialists"

GTC Financial is a Gladstone based firm which provides a comprehensive range of **ACCOUNTING, TAXATION AND ADVISORY** services to private business and their owners.

We also provide a wide range of **FINANCIAL PLANNING** services to individuals and families.

Providing customised service, GTC Financial can meet all your needs from Business Start Up and Planning for Growth through to Exit Strategies and Retirement Planning.

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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.



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