

Solutions



GTC Financial
29 Roseberry Street
Gladstone QLD 4680

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

E: gtcfin@gtcfin.com.au
www.gtcfinancial.com.au

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Issue Number 30

Cash Flow Management in Tough Times



If you find that your customers are delaying their payments to you, communicate with them and find out what the problem is and whether you can negotiate alternative arrangements regarding payment. Don't sit back and wait, because it might be too late. Keep an ear to the ground as to what is happening in the market place and, in particular, how your key customers are trading.

If you are having problems in paying your own bills then communication with your creditors can be very important. If you can present to them plans on how you are going to overcome the short term cyclical nature of business, then you will probably be able to negotiate an on-going repayment schedule that is able to be effective within your changed cash flow circumstances.

Re-Tooling For Climate Change

The Federal Government has announced a new program targeted at small/medium sized Australian manufacturers to assist in reducing their environmental footprint through projects that improve the energy and/or water efficiency of their production processes.

Grants of between \$10,000 and \$500,000 will be provided, up to a maximum of 1/3 of the cost of each project. Eligible projects could include:

- investing in small scale cogeneration plants that capture waste energy and use it to produce electricity onsite;
- stormwater capture;
- improving water recycling for reuse in the manufacturing process;
- improving insulation and recovering waste heat to improve manufacturing process efficiency; and
- process re-engineering involving the adoption of energy efficient manufacturing tools that reduce substantially the energy used in the production process.

Eligible applicants must be a non-tax exempt manufacturing company; have a group turnover of less than \$100 million for each of the 3 previous years and be able to fund two-thirds of the cost of the project.

Round 1 of the program closes on 20th October 2008.



Reminder – Climate Ready

The next round of the Climate Ready Program closes on 4th December 2008.

Manufacturing Industry Assistance

The Australian Government has now finalised the delivery of Enterprise Connect Manufacturing Centres. The services are being offered by 45 business advisors located in capital cities and regional centres throughout Australia.

To be eligible, a business must be trade-exposed (i.e. manufacturing business or manufacturing service firm) with a turnover of a minimum of \$2 million (maximum of \$100 million that has been trading for the previous three years).

An Enterprise Connect Business Advisor will undertake a review of the business. This is delivered as a free service. Once the business advisor has completed their report, and subject to their recommendations for further services to be offered, the business could be eligible for tailored advisory services to be delivered by consultants. The government subsidy is 50% up to \$20,000 of approved consultancy services for advice on:



- supply chain management
- business and quality management systems
- lean manufacturing
- strategic and business planning
- resource management
- waste resource management
- people and change management
- new product/service development
- diversification/economies of scope
- market access and development
- export strategy

We are happy to assist you in preparing an application for this grant.

Business Plans – Some Questions To Consider – Part 6

Industry and Market Analysis

When completing a business plan it is essential that a detailed analysis be undertaken on the industry in which the business is operating and on the market the business is attempting to serve. The industry and market analysis business plan questionnaire raises a number of questions relative to:

- What industry are you in?
- How old is the industry?
- What stage is the industry at?
- How big is the market in your area?
- Are there any barriers to entry?
- Are there any restrictive government policies on the industry?
- What market research has been undertaken?
- What test marketing has been undertaken?
- Have you had any comments from focus groups?
- Who are your potential competitors?
- What is your distribution strategy?
- What are the population projections for your area?



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

Reminder - EMDG

Export Market Development Grant Applications have to be lodged with Austrade by 30th November 2008 for the year ended 30th June 2008.

If you incurred research and development expenditure in excess of \$20,000 in the year ended 30th June 2008 and you wish to claim the accelerated 125% research and development deduction or claim the tax offset, you have to register with AusIndustry by 30th April 2009.

Business Entities - Companies

There are two types of companies which will have an effect on small/medium sized businesses. These are public companies and private companies.

The most popular entity for small businesses is a private company. A private company need only have one director and one shareholder.

A company is a separate legal entity from its shareholders and directors and is not subject to a time requirement relative to being wound up, such as a discretionary trust.

A company's shareholders can decide whether the company will have a separate constitution or adopt what is known as the "replaceable rules" that are specified within the Corporations Act.



Every company has to have a registered office. A private company's registered office does not have to be open to the public. A private company only needs one shareholder and can have a maximum of 50 shareholders. Shareholders do not play any direct day-to-day role in the administration of the company unless they are directors.

A private company has a pre-emptive rights requirement, which means that, before directors of a private company can issue additional shares in the company or approve a share transfer, they should offer those shares to the existing shareholders (who have the same class of shares) first. The board of directors can also reject a proposed purchaser of shares in the company from becoming a shareholder.

The Corporations Law is administered by the Australian Securities and Investments Commission (ASIC).

ASIC allocates each company an Australian Company Number (ACN). The ACN must be displayed on letterhead, invoices etc.

The company is required to lodge an annual return with ASIC.

A company can be sued, can sue and has the power to operate virtually every type of business unless prohibited by its own constitution. The company is liable for the debts that the company incurs and not the shareholders and directors, unless the shareholders and directors have given a personal guarantee to any external party for debts relating to the company.

Directors can be liable if they have allowed the company to incur debts whilst the company has been insolvent or they have committed any criminal or environmental offences.

The taxation rate applying to companies is 30% of taxable income.

If you would like to discuss any aspect of utilising a company within your business, please contact us.

What's It Mean?



Net Profit Percentage Of Sales... measures the net profit before tax earned on sales and is expressed as "% of Sales".

Net Profit After Tax Percentage Of Sales... probably the more accurate way of showing the owners' or shareholders' percentage of each sale dollar that they have actually earned from their business endeavours (other than the salary or directors' fees paid to owners/shareholders).

Example:

Sales	\$3,000,100	
Net Profit Before Tax	\$ 156,000	= 5.03%
Net Profit After Tax (if a company using corporate tax rate of 30%)	\$ 109,200	
Net Profit After Tax Percentage of Sales		= 3.52%

Business Succession Planning

One of the most important issues that needs to be considered in succession planning is where is the business going? Every business needs growth and where the business is going to go in the next phase of its development is very important. Questions to consider include what type of succession planning are you contemplating? Are you looking to only change the management and the current owners will continue to own the business and will continue to serve on the board of directors setting policy etc., or is it a complete sale of the business so that there'll be a management and shareholder/owner change that is going to occur.



There needs to be at least 2 years of planning on the business issues relative to succession planning.

What is a realistic sales price? Could the sale price be improved by the implementation of more detailed systems manuals, accurate customer lists, improved staff training, better appreciation of the market opportunities. If you did these things then you would probably improve the price earnings multiplier that is used in the valuation of your business, because the purchaser would pay you a premium for having implemented a wide range of systems which contribute to the business' success.

If you are contemplating retirement over the next few years, then you can significantly improve the prospects of achieving a sale at a price that you would be happy with, by understanding the growth prospects in your business and preparing a strategy as to how the growth will be achieved. Establishing systems; training your team members; and understanding the needs of the business, will be very important if it is going to expand and succeed in the market place.

Many small business operators leave a lot of money on the table in their succession exit because the process has been rushed or they have given insufficient time to the important planning issues that are involved in planning an orderly succession.

"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.

Financial Planning services provided by GTC Financial Services Pty Ltd Corporate Authorised Representative No. 314227
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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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