

BusinessPlus+ Newsletter



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Merry Christmas and Best Wishes for 2019!

The Australian Business Growth Fund Announced

Being a small business means it is hard to get money from a bank, unless you take it on a secured basis, and usually against real estate and more commonly your own home. This means that people are not able to get into running a small business without some sort of solid financial backing and the consequences of the business not being successful means that a family will lose their home.

Assuming this is not a problem, the next concern is that, if a small business has already borrowed money from a bank, it will be secured against the real estate and no bank will be able to lend money to help a small business grow without additional security, which is not optimal for the small business, employment opportunities for people and the Australian economy in general

There is a new fund currently being established by the Federal government in consultation with large financial institutions that would provide longer term equity funding to small businesses. This fund has one purpose and it is simply to provide longer term equity funding to small businesses.

Why do we have the Australian Business Growth Fund?

Small business can only start or grow its business via internal cashflow (not the easiest task) or borrowing from a bank (which is not easy without real estate security) and it has been nearly impossible for small business to attract equity funding enabling them to grow. (The government's decision to allow small proprietary companies to raise up to \$5 million in a twelve month period via Crowd Sourced Funding Equity Raising will improve the position for companies which are eligible to utilise Crowd Sourced Funding Equity Raising).

The Australian Business Growth Fund is based on the current United Kingdom's Business Growth Fund (www.bgf.co.uk) which has been operating since 2011 and invested approximately \$3 billion into various small businesses based throughout the United Kingdom and the government is stepping in here because nothing similar has emerged in Australia unlike many other parts of the world. This fund has not yet been created, but this is included as part of the Federal government's \$2 billion of funding provided to another fund to provide securitisation funding for smaller banks and non-bank lenders to start lending to small businesses. There are plenty of details to be ironed out and regulatory matters to be dealt with but Canada has launched a similar fund earlier this year.

If you would like to discuss your vision for your company, please don't hesitate to contact a partner in our firm for a discussion.

"Bank of Mum and Dad" Loans Are Important For SMEs

Parents of small and medium-sized business operators have been called upon to supply about 25% of the loans negotiated for small and medium-sized businesses in Australia, according to the Australian government's Small Business Ombudsman Kate Carnell.

Ms Carnell indicated that the “Bank of Mum and Dad” was being forced to fund a significant percentage of loans because of the credit crunch, which is being worsened by fallout from the Banking Royal Commission the “Financial Review” reported last week.

The situation is being compounded by falling residential property prices, making it very difficult for many small and medium-sized operators to be able to borrow from banks.

Some business operators may be feeling subtle pressure from their parents, relative to loan repayments, because their parents wish to retire or to purchase another asset.

Repayment of “Bank of Mum and Dad” loans is another opportunity for well-run small or medium-sized businesses to be able to utilise Crowd Sourced Funding Equity Raising to raise some capital for their business and utilise part of the capital raised to pay out the loans.

If you would like to discuss with us the potential of utilising Crowd Sourced Funding Equity Raising for this purpose or indeed any other purpose, please do not hesitate to contact us.

Crowd Sourced Funding Capital Raising Has Commenced

A number of small or medium-sized enterprises have already raised capital under the Australian government’s Crowd Sourced Funding Equity Raising Amendments to the Corporations Act.

The government has appointed seven Intermediaries (businesses with Australian Financial Services Licenses) to act as the “gatekeepers” for the legislation and to assist companies to be able to raise capital, once the company has finalised its Crowd Sourced Funding Offer Document.

One of those Intermediaries has advised that it has six listings at present which are all taking advantage of the change in the law that applied from 19 October 2018, which allows a small proprietary company (turnover up to \$25 million per annum) to raise up to \$5 million in a 12-month period, direct from the public without having to convert to an unlisted public company.

That Intermediary has indicated that they had acted for five companies prior to the legislation being changed and that four of those companies successfully raised an aggregate of about \$5 million, with the largest capital raise being \$2.8 million.

The seven Intermediaries appointed by ASIC are now fully operational operating under the new legislation and are keen to interview companies which aspire to raise capital.

If you are interested in attempting to raise share capital from the public, why not contact us for an initial interview and we will advise you the services that our firm can offer to you to assist your company on the Crowd Sourced Funding Equity Raising journey?

Thresholds Change For Large Proprietary Companies

This Australian government has announced a change to the thresholds for proprietary companies that have a reporting obligation to the Australian Securities and Investment Commission (ASIC). Under the change announced by the Federal Treasurer, the revenue threshold will be increased from \$25 million to \$50 million

Companies will be required to submit and lodge a financial report, a director’s report and an auditor’s report to ASIC, if the company reaches two of the following three thresholds:

- Consolidated Revenue – \$50 million (previously \$25 million)
- Consolidated Gross Assets – \$25 million (previously \$12.5 million)
- Employees – 100 (previously 50)

If you would like to discuss the implications of the government’s decision please and hesitate to contact us.

Are You Monitoring PPSR Registrations Due To Expire?

The Personal Property Securities Act commenced in January 2012. Registrations were able to be made for a 7-year period, thus the first lot of registrations are due to expire from January 2019 onwards. If the registration is still important for your business, you should be giving consideration to renewing the registration.

You can access a free PPSR report called “[Registrations Due to Expire](#)” which enables you to run a report that lists registrations due to expire in a specified date range for your secured party group.

The report includes the following information:

- Secured Party Group Number
- Registration Number
- End Date and Time

- Collateral Type
- Collateral Class
- Serial Number and Serial Number Type
- Grantor

If you require any assistance on the renewal of your PPSR registrations, please do not hesitate to contact us.

Registrations On PPSR Top 10 Million

The 30 September 2018 report from the Personal Property Securities Register has indicated that the total number of registrations as at that date was 10,040,452.

The number of current registrations, as at 30 November 2018, was allocated to the following collateral classes:

• Agriculture	-	90,111
• Aircraft	-	15,385
• All present and after acquired property	-	1,699,810
• All present and after acquired property, except	-	260,726
• Financial Property	-	44,312
• Intangible Property	-	115,319
• Motor Vehicle	-	4,871,613
• Other Goods	-	2,893,062
• Watercraft	-	50,114

A key part of risk management for businesses is to monitor who your customers are, where you have assets stored, who you are entering into business transactions with and to then decide whether it would be prudent to register that customer or business (where your assets are stored) on the Personal Property Securities Register.

If you would like us to review your systems, relative to the identification of potential risks relating to non-registration on the Personal Property Securities Register, please do not hesitate to contact us.

Federal Government Tells Big Business To Pay Promptly

The Prime Minister has indicated that the Federal government will be requiring Australia's 3,000 largest businesses to pay their bills to small and medium enterprises within 20 days, as a condition of future contracts with the Federal government.

As part of future government contracts, these businesses will have to disclose each year the details of how promptly they have paid their bills to small and medium-sized businesses.

The Prime Minister, Mr Scott Morrison, has indicated that *"the government is aware that cashflow is crucial to the health of any business, but especially small business"*.

Under the changes businesses, with turnovers over \$100 million per annum, will have to publish each year their record of engagement with small and medium-sized businesses. This new policy will bring the 3,000 largest businesses into line with the Australian government's policy which, from 1 July 2019, requires government departments to pay invoices, to small and medium-sized businesses, within 20 days.

When implemented, this policy should assist in ridding Australia of one of the worst titles ever bestowed on Australia -- having the ***"longest debtors' days outstanding in the world"***.

Good and Bad News!

There is certainly a mixed bag of economic news affecting the Australian economy at present.

Good news:

- 27th year running with no recession - Australia is the envy of many other countries
- real economic growth of 3.4%
- unemployment rate headed to below 5%
- house prices down in all capital cities, except Hobart
- Reserve Bank cash rate still at 1.5% – even though some banks have started to increase their charges for interest
- Australian dollar 8% more favourable against US dollar for exporters and 5% more favourable against UK pound for exporters

Bad news:

- erosion of confidence in banking and financial industry in general and politicians
- big drops in share prices
- big drops in house prices
- less spending power for Australians travelling overseas through currency devaluations
- currency movement causing headaches for importers

Customer Satisfaction Vital!

A continuing problem for businesses is how to keep customers satisfied so that you're discouraging them from taking their custom elsewhere.

It is generally accepted that today it is harder to retain customers because they have more choices than customers had in the past.

There are a number of contributing factors to the retention of customers including:

- Many customers see businesses as being unethical e.g. banks and the finance industry and because of this customer loyalty can be very fragile.
- Customers are critical that from their perception some businesses that they deal with are not keeping up-to-date with technology, plant and equipment, marketing strategies and the use of social media.
- Businesses probably need to pay more attention to tailoring the offer or product to the needs of individual customers. The concept that "one size fits all" is probably not the right concept for the retention of customer loyalty in 2018/19.
- Some customers also perceive that some of the businesses that they deal with cannot deliver on their marketing promises - items such as delivery times, quality of products, warranty periods, response to a warranty claim etc.

Small and medium-sized business operators need to ensure that their team is closely listening to comments by customers and reporting those comments back to the team so that the business can react quickly to criticisms or suggestions for changes in the way the business promotes products and services and deals with customers.

A recent international study, that surveyed 3,000 people, indicated that 56% of the persons surveyed will only purchase products or services from businesses that are committed to:

- innovation on a continuing ongoing basis
- with that innovation being tailored to the needs of the business' customers

The survey also indicated that businesses that don't innovate will find it very difficult to continue in business in the future. The survey indicated that the businesses that stay the same and don't change and don't innovate, 80% of those businesses will be out of business within 5 years.

All of this creates a leadership issue for small and medium-sized business operations. Leaders need to be continually looking for ways and means to create a better service offering for their customers and in so doing achieve a high level of customer satisfaction.

If you would like to talk to us about the conduct of a customer survey or a meeting with customers, please do not hesitate to contact us for a discussion on this concept.

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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