

BusinessPlus+ Newsletter



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Issue – November 2019

Wide Spread of Businesses for Crowd Sourced Funding Equity Raising

Thirty-three different industry categories feature in the 55 companies that have successfully completed capital raising utilising Crowd Sourced Funding Equity Raising. This result clearly confirms that Crowd Sourced Funding Equity Raising is suitable for virtually every type of business operating in Australia, subject to the company meeting the basic eligibility criteria of:

- Group turnover under \$25 million per annum
- Group asset value under \$25 million
- Not listed on a stock exchange

The industry categories for the companies that have successfully raised capital, together with details of the number of companies within the individual categories that have raised capital as at 31 October 2019 (The 1st anniversary of private companies being able to utilise Crowd Sourced Funding Equity Raising in Australia was on 19 October) are as follows:

<u>Industry Type</u>	<u>Number of Companies</u>
Craft Beer	2
Farming Technology	1
Digital Banking	1
Investment Advice	2
Clothing	1
Technology to Maximise Attendance	2
Craft Gin	1
Craft Champagne	1
Lending Technology	1
Vehicle Modification	1
Transport	2
Currency App/Platform	2
Gaming	1
Sports Clothing and Sports Gear	1
Japanese Fusion	1
Craft Beer and Wine	3
Accessories	2

Hospitality	1
Sports and Fitness	3
Energy	4
Health Products	3
Outdoor Gear	1
Team	1
Waste Minimisation	1
Childcare	1
Financing	1
Recyclable Services	1
Construction Technology	1
Energy Food and Drink	1
Mental Health	1
Mining	1
Dairy/Value Add	1
Movies	1

In addition one company is in progress to complete its capital raising. The industry to which this company relates is Food Production.

If you are interested in exploring the potential to raise capital for your company, please do not hesitate to contact us.

\$40 Million Barrier Nearly Broken!

The ESS BIZTOOLS' Crowd Sourced Funding Equity Raising Scorecard prepared as at 31 October 2019 (The 1st anniversary of the availability of Crowd Sourced Funding Equity Raising for private companies was on 19 October) has confirmed that 55 companies have successfully completed their Crowd Sourced Funding Equity Raising by raising a total of \$39.8m.

35,306 investors have invested an average of \$1,128 in the 55 companies which have completed their Crowd Sourced Funding Equity Raising capital raising.

The volume of capital raising completed has been lower than some people's expectations, but for those companies that have completed their capital raising, they will be well satisfied with the results that they have

achieved, especially considering the difficult financing circumstances that many small and medium-sized enterprises are finding themselves in at present. Details of the Scoreboard summary showing the names of the individual intermediaries, the progressive capital raised, the completed fund raising and the in progress raising are as follows:

ESS BIZTOOLS - CROWD SOURCED FUNDING EQUITY RAISING										
SCORECARD AS AT 31 OCTOBER 2019 (12 MONTH ANNIVERSARY OF PRIVATE COMPANIES HAVING ACCESS TO CSERS)										
Reference	Intermediary	Progressive Capital Raising		Completed Fund Raising		In Progress Raising		Location	Number of Investors	Average Investment
		Number	\$	Number	\$	Number	\$			
1	AG Crowd	1	\$ 42,960	1	\$ 42,960	0	\$ -	Sydney	8	\$ 5,370
2	Big Start Pty Ltd	0	\$ -	0	\$ -	0	\$ -	Perth	N/A	N/A
3	Bitfinde Pty Ltd	0	\$ -	0	\$ -	0	\$ -	Sydney	0	\$ -
4	Birchal Financial Services Pty Ltd	25	\$ 16,042,795	25	\$ 16,042,795	0	\$ -	Melbourne	10183	\$ 1,575
5	Capital Labs (IQX Investments)	0	\$ -	0	\$ -	0	\$ -	Sydney	N/A	N/A
6	Crowd RR Limited	2	\$ 1,322,840	2	\$ 1,322,840	0	\$ -	Sydney	633	\$1,742.24
7	Crowd Funding AFSL Pty Ltd	0	\$ -	0	\$ -	0	\$ -	Gold Coast	N/A	N/A
8	Enable Funding (Global Funding Partners Pty Ltd)	1	\$ 671,000	1	\$ 671,000	0	\$ -	Adelaide	90	\$ 7,456
9	Equitise Pty Ltd	14	\$ 10,541,858	13	\$ 10,383,938	1	\$ 157,920	Sydney	3051	\$ 2,056
10	Fundisition (SME Crowd Funder Pty Ltd)	0	\$ -	0	\$ -	0	\$ -		N/A	N/A
11	Galaxy Crowd Funding Pty Ltd	0	\$ -	0	\$ -	0	\$ -	Melbourne	N/A	N/A
12	OnMarket Bookbiz Pty Ltd	8	\$ 6,410,821	8	\$ 6,410,821	0	\$ -	Sydney	17231	\$ 372
13	Pledge Me Pty Ltd	5	\$ 3,176,825	5	\$ 3,176,825	0	\$ -	Sydney	2110	\$ 2,453
14	Pulse Markets Pty Ltd (BIR Financial Limited)	0	\$ -	0	\$ -	0	\$ -	Sydney	N/A	N/A
15	Venture Crowd	0	\$ -	0	\$ -	0	\$ -	Sydney	N/A	N/A
Total		27	\$ 39,988,899	55	\$ 39,830,979	1	\$ 157,920		35306	\$ 1,128

If your company or business (a business will need to incorporate a company to be able to utilise Crowd Sourced Funding Equity Raising) is performing well and has good prospects, Crowd Sourced Funding Equity Raising could be of interest to you. If you would like to have a conversation to analyse the pros and cons of utilising this form of business financing for your company or business, please do not hesitate to contact the person in our organisation with whom you normally deal.

ATO "Carrot and Stick Approach"

The Australian Taxation Office (ATO) administers the taxation system and collects the revenue for the Australian Government. For many years the "carrot approach" was the favoured option. In recent years ATO officers have been rarely encountered as they focused on data matching audits and behind the scenes desk audits without much face-to-face interactions.

In 2019 the ATO started taking a different approach, the "carrot and stick" approach. In particular, there has been more site visits and the new and improved Tax Integrity Centre has been used much more. In the last 12 months ATO officers have visited 45 different locations throughout regional and remote areas of Australia and, in each of these areas, the officers have visited several hundred businesses including cafés, restaurants, hair and beauty salons, carpenters, hotels and motels.

The locations that have been selected and the businesses visited are because the ATO is receiving telephone calls from the public relating to allegations that some businesses are demanding cash from customers, not providing tax invoices and allegations that they are not declaring all of their income in their taxation returns. These allegations are reviewed by the Australian Taxation Office Tax Integrity Centre which is the single point of contact for the public to report on suspected tax evasion and black economy activity. The Tax Integrity Centre also receives details of allegations of other matters including, cash in hand transactions, underpayment of wages, visa fraud, identity fraud, sham contracting and more.

The Tax Integrity Centre hotline has only been in operation since 1 July 2019 and it has already received

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over 15,000 telephone calls (230 per day) with the main allegation relating to business people not declaring income, workers being paid cash in hand, allegations that people are living beyond their means compared to their "business profitability".

Every legitimate business needs to be aware of who they are dealing with and, if their competitors are playing on a level playing field. If you have any suspicions you can now contact the ATO Tax Integrity Centre to outline your concerns.

However, the other problem is people can and may put spurious claims in about your business and you will need to be prepared in case you receive a call from the ATO relative to these allegations.

If you have any concerns relating to any business activities of other businesses that you believe should be reported to the ATO but you would like to discuss your concerns before lodging a complaint, please don't hesitate to contact us.

Franchise Industry Review

The Australian Government's Small Business and Franchise Ombudsman, Kate Carnell, is urging all business operators involved in the franchising industry to provide feedback to the Australian Government Regulation Impact Statement (RIS) by 6 December 2019 - <https://docs.employment.gov.au/node/47088>

"The release of the RIS gives the franchising sector the chance to create meaningful reform. It is crucial that small businesses in the franchising sector get involved in this consultation process to ensure their voices are heard" Ms Carnell said.

"Small businesses that want to have their say in the future of the franchising sector can access the RIS online and make a submission."

"It is essential we see effective and timely reform in the franchising sector that is squarely focused on fairness and creating mutually beneficial business relationships".

The release of the RIS follows the release of the government's "[Fairness in Franchising Report](#)" earlier this year.

The Ombudsman has indicated that there are 97,000 franchise businesses in Australia which employ close to 600,000 people.

If you would like to discuss any aspects of the franchising industry with us, please do not hesitate to contact the person in our firm with whom you normally deal.

Taxable Payments Annual Report Extended to More Industries

Businesses that operate in the road freight, security, and investigation, surveillance and information technology (IT) industries are required to lodge a Taxable Payments Annual Report for the first time by 28 August 2020. Details are required relating to payments made to contractors.

These industries join the other industries which are already required to lodge these reports:

- Building and Construction Services

- Cleaning Services
- Courier Services

The details of payments to contractors that you are required to submit include:

- ABN (where known)
- Business name or individual's name
- Address
- Total amounts for the financial year of the:
 - gross amount paid (including GST plus any tax withheld)
 - total GST you paid the contractor
 - total tax withheld where ABN was not quoted

If you are required to prepare this report and you require assistance in the establishment of a system to ensure that the report can be prepared promptly in August 2020, please do not hesitate to contact us.

Export Market Development Grant Application Closes Soon

The closing date for Export Market Development Grant applications for the year ended 30 June 2019 is **1 December 2019**.

If you conducted export activities or planned to conduct export activities during 2018/19, your business turnover is less than \$50 million and you spent more than \$15,000 on export market development activities, irrespective of what type of entity you utilise for your business operations, you are probably able to lodge an Export Market Development Grant application.

Australian-based businesses making promotions to overseas residents to visit Australia, for example tourist accommodation, transport, sporting and recreational events and other activities that are directly promoted to encourage people living in overseas countries to visit Australia are eligible for this grant.

Grants are calculated on a contribution to offset actual expenditure made by a business up to a maximum of \$150,000.

The key expense headings that are eligible for grant payments relate to:

- Overseas representation
- Marketing consultants
- Marketing visits
- Free samples
- Trade Fairs and promotional events
- Promotional literature and advertising
- Overseas buyers visiting Australia

If you would like our assistance with the preparation of the application, could you please contact us urgently for a review meeting because applications are closing soon?

Flawless Execution of Strategies

In the October edition of Business Plus+ newsletter we discussed the development of differentiated strategies for a business, because strategies are what helps create value within businesses.

However, strategies on their own are of no benefit unless there is then a commitment to implement the execution of the strategies. This is what will really create value for your business.

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The leadership team needs to allocate "quality time" for the development of the implementation plan and to communicate that plan to the team members so that the team is aware of the need for the flawless execution of the strategies that have been established for the business.

Your business will probably benefit from convening a "think tank" meeting involving all of your team members to acquaint them with the strategies that have been developed and to have a conversation with the team members on the best approach for the execution of those strategies. Once this "think tank process" is concluded the team will then be able to go about implementing the strategies.

The leadership team's role is to create enthusiasm for the implementation of the strategies and to monitor the results and provide feedback to the team.

Execution of Strategies - Customers

Analyse the customer strategy that has been agreed for your business and you are then ready to develop an implementation plan for the execution of strategies relating to customers.

- Implement a Customer Survey Form
- Appoint a team member to
 - acknowledge receipt of the completed Customer Survey Forms
 - prepare a summary of the survey form responses together with any suggestions or criticisms and forward the summary to the team
 - identify the products that customers have specified they like and send this summary to the team
- Appoint a team member to coordinate the communication with customers/clients relative to:
 - social media
 - newsletters
 - webinars
 - your businesses website
- Establish a Customer Advisory Committee – make a decision whether the meetings will be held "in person" or via Zoom or Skype.
- Appoint a team member to coordinate the Customer Advisory Committee meetings – distribute reports to the committee – advise the leadership team of the issues raised at the committee meetings.
- Appoint a team member to prepare a quarterly update on the perceptions that customers/clients have of your business including:
 - your business strengths
 - your businesses weaknesses
 - the trends that your customers have identified that they believe will be beneficial for your business

Execution of Strategies - Prospects

- Appoint a team member to coordinate regular communication with prospects.
- Develop the profile of your key prospect ("Avatar") and distribute this profile to your team members so that they have an awareness of your business' targeted prospect.

- Appoint a team member to be responsible for responding to and following up any enquiries received from a prospect.

Execution of Strategies - Products/Services

- Appoint a team member to coordinate products/services being developed and supplied to customers by your business.
- Diarise periodic “think tank” products/services planning meetings to consider the products/services being produced by your business.
- Appoint a team member to coordinate periodic market reviews to gain comments on current products and proposed products and report these findings to the team on an ongoing basis.

Execution of Strategies - Team

- Appoint a team member as the “Talent Development Manager”.
- The Talent Development Manager is responsible for implementing the business’ strategy for:
 - attracting “outstanding team members”
 - retention of “outstanding team members”
 - developing articles for social media and for the business’ website that promotes the business’ objectives to the type of people that have been identified as being potential team members for your business
 - implementing the businesses strategy for an outstanding “induction strategy” to be introduced and updated as required
 - establishing a leadership development group – appointing a facilitator for this group – monitoring the performance and ensuring that regular reports are submitted to the senior leadership team on the leadership development groups activities
 - coordination of succession awareness strategies throughout the business so that team members are encouraged to delegate and train others so that team members are available for promotion to other responsibilities within the business
 - implementation of the strategy of the development of the leaders that the business will need over the next 3 years

Execution of Strategies - Premises

- Appoint a team member to be responsible for the maintenance of the premises.
- Appoint a team member (it could be the same person) to be responsible for implementing the

- business’ strategies relating to having suitable premises over the next 3 years.

Execution of Strategies - Research and Development

- Prepare the Research and Development Policy document for your business.
- Appoint a team member to be responsible for all aspects of the administration of research and development including:
 - project identification
 - submission of a report to the Board of Directors or leadership team to obtain approval for this research and development project
 - establishing of records/filing system to record all aspects of the research activities
 - implementation of the business’ policy on confidentiality agreements and assignment of intellectual property for signature by any contractors hired to work on any aspect of a research project
 - establish a communication process with the patent attorney appointed by the business so as to ensure that any unique research that is undertaken can be effectively protected via a patent application, if the Board of Directors or leadership team agree
 - if the business is a company ensure that all of the records required by the Income Tax Act for the company to obtain the Research and Development Tax Rebate have been implemented.

Execution of Strategies - Intellectual Property

- Appoint a member of the leadership team to be responsible for the identification and protection of the business’ intellectual property.
- Implement the strategy that intellectual property, which is currently “in the head”, is documented and appropriately filed.
- As part of the implementation of the strategy for the protection of intellectual property, commission the preparation of an annual report valuing the business’ intellectual property so that the Board of Directors and leadership team have a clear indication as to the value of the intellectual property that is being developed within the business.

The commentary on Execution of Strategies will be concluded in the next edition.

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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