

FOCUS

THE

ISSUE 7

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TAX TIP: NATURAL DISASTERS

With recent floods throughout Queensland, NSW and Victoria leaving thousands of families and businesses in financial stress, it is important to understand what type of taxation support could be available to you if your household or business is affected by a natural disaster.

The Australian Taxation Office has a number of flexible options available for disaster victims and can assist affected families and businesses by:

- fast tracking refunds
- extending debt repayment deadlines
- providing individuals with more time to meet lodgement obligations
- reconstructing tax records where documents have been destroyed, and
- making reasonable estimates when necessary.

Those affected by the recent flooding may be entitled to utilise some or all of these options.

If you have any further queries in relation to financial assistance for those affected by natural disaster or would like to find out if you meet the criteria for assistance, please contact a Fortunity Business Advisory Manager.

WELCOME TO THE FOCUS

Welcome to the first edition of The Focus magazine for 2011. Our recent ranking in BRW's top 100 Accounting Firms in the country has provided cause for a little pride. We work hard to ensure we are at the forefront of our industry on the Central Coast and it is very pleasing that our efforts have been recognised on a national scale.

Whilst many Australians are facing severe hardship as a result of natural disasters, Fortunity is committed toward strengthening our contribution to the community on the Central Coast and this month we highlight a number of organisations who we are proud to support.

The Federal government has stepped in with support for parents with paid parental leave. The scheme commenced January 1 this year – I recommend you read our overview on what employers need to do, who is entitled to receive the paid leave and the pitfalls you need to look out for.

Fortunity prides itself on establishing long term relationships with our clients. Read our piece on Glenn and Cathie Heenan's successful enterprise – Central Coast Truck Parts. We are proud to have played a role in their ongoing success.

Along with the floods, a number of factors are currently impacting the economy. Read Craig Ayling's economic overview of 2010 and for a little insight into just what 2011 has in store.

A whole lot of information in a little magazine – enjoy.

Tim Cullen



SUPPORT FOR FLOOD VICTIMS



Fortunity's internal fundraising committee, Fortunity in the Community together with the Central Coast Bears recently held a barbecue breakfast for our team and the surrounding community. We sold bacon and egg sandwiches to help raise much needed funds for those who have suffered damage and loss during the recent floods in Queensland, Victoria and parts of NSW.

We would like to say a big thank you to all those who came along to our breakfast to show their support for this crucial cause. As a result, we managed to raise \$800 which has been donated directly to the Queensland Premier's Flood Relief Appeal. Our thoughts go out to all those who have been affected by the disaster and we wish them all the best on the road to re-building their communities.

In addition, the team at Fortunity and many of our clients kindly donated Christmas gifts to the Central Coast's United Way Community Chest who distributed the gifts amongst a number of valuable local charities including Coast Shelter and Child Abuse Prevention Services.

We thank all the generous donors who helped Central Coast Community Chest put a smile on the faces of many disadvantaged kids around the Coast.

Fortunity in the Community are looking forward to further community involvement in 2011 including participation in the upcoming Australia's Biggest Morning Tea and Clean Up Australia Day.

A TRUCKLOAD OF BUSINESS GROWTH

Big parts for big vehicles have been familiar to Glenn Heenan since spending his early working life at his father's truck business. So when Glenn and his wife Cathie decided to go into the manufacture and supply of truck spare parts for themselves, they started looking for business advice.

Central Coast Truck Parts was established in West Gosford in 1995 after Glenn and Cathie purchased the family business from Glenn's father. With the hard work and dedication of Glenn, Cathie and their staff, coupled with guidance from Fortunity, the business relocated to a custom-built site at Warnervale in 2004.

Glenn and Cathie have enjoyed a strong relationship with Fortunity since their acquisition of Central Coast Truck Parts and their business continues to grow from strength to strength.

"We weren't scared to follow advice, but finding a source of advice we were comfortable with was important," Glenn said.

"We met with the Fortunity team and were impressed by their ability to understand our industry quickly," he added.

"Right from the start Fortunity was providing us with practical advice to help us understand our business and figure out where we wanted it to go," said Glenn.

Prior to Central Coast Truck Parts' relocation in 2004, Glenn and Cathie sought the advice and guidance of Fortunity to ensure they were making the right business decision.

"It was a big decision for us, but with Fortunity helping us to weigh up the benefits between staying at our original location, moving to Warnervale, or looking for a different site altogether. We knew that by relocating, we were making the right move."

"We were one of the first businesses in the new park. Now it has grown to include some of the biggest operations on the Central Coast, including the Woolworths distribution centre and Bluetongue Brewery," said Glenn.

"That's a lot of trucks coming and going, so our location is perfect to be able to service their needs!"

Business success does not happen by resting on your laurels and Glenn and Cathie know the importance of looking for opportunities. With the experience of Fortunity's team behind them, it is easier to identify the best opportunities for their business.

"Fortunity are our business mentors," explained Glenn. "They not only help us with our business planning and in areas such as tax strategy, but they are there for us to bounce ideas off, to give us guidance when an opportunity arises."

"We learned very quickly to follow their advice and we haven't looked back. Since working with Fortunity there has always been growth in our business. Central Coast Truck Parts wouldn't be the business it is today without the help of Fortunity," he added.





BENCHMARKING: GIVING YOUR BUSINESS THE COMPETITIVE EDGE

Using data from your business, Fortunity are able to benchmark your business's performance against your industry competitors. Having access to this information can give your business a competitive edge and highlight any key variances that may require further investigation.

Gaining a better understanding of where your business sits in terms of the industry benchmarks can help you to identify key areas where your business doesn't stack-up, or conversely, where you are ahead of the pack. This knowledge can help you to distinguish activities that actually deliver results for your business, providing you with meaningful data that creates a baseline 'report card' for future measurement.

UNDERSTANDING BUSINESS PERFORMANCE

Businesses sometimes find it difficult to understand why there are large variances between themselves and their competitors. This often relates to structure, process, discipline and accountability. With the power of benchmarking, data is configured into meaningful information that can identify your business's best practices, which can enable action plans to be developed for low performing areas.

WHERE DO THESE REPORTS COME FROM?

Fortunity will produce your benchmarking reports using the information provided in your business's financial statements, including your Profit and Loss statement and your Balance Sheet. Fortunity has access to a number of business benchmarking research products that enable comparison of your figures to industry best practice.

IDENTIFY BUSINESS PERFORMANCE ISSUES QUICKLY AND EASILY

With regular benchmark reporting, we will work with you to identify any business issues and help you to rectify these. Taking corrective action quickly provides a competitive edge and helps improve overall business operations. The 'traffic light' style reports enable quick and easy identification of the areas requiring further investigation as well as those where your business is outperforming the industry.

WHAT DO I NEED TO DO TO OBTAIN BENCHMARK REPORTS?

Answered simply, nothing. These reports will be included as standard when your financial statements are completed.

This is yet just another value-added service that customers of Fortunity receive. If you do have any questions about these reports, you can give us a call on 02 4304 8888 to discuss them in more detail.

Q & A WITH FORTUNITY'S DIRECTORS

Underpinning the expertise of Fortunity's team is the years of diverse business and financial experience offered by the organisation's directors.

Fortunity's five directors are leaders in each of their respective areas. They work closely with team members to ensure the highest levels of service are provided to clients, while encouraging staff to continually develop their skills and find new ways to provide clients with greater value.

Fortunity's focus on integrating services across the spectrum of financial and business services is one of the features that sets us apart from competitors. The broad range of experience of the directors is what gives credibility to this integrated approach and allows the organisation to work effectively across these quite different areas of expertise.

For this issue, Fortunity's directors shared a coffee and discussed and debated some questions in order to provide insights into their interactions with clients. They identified why their clients believe Fortunity are more than just accountants, but partners who work with them to assist with the growth of their business and assets. Fortunity prides itself on forging relationships that extend beyond just a mere comprehension of the numbers.

What is the most significant challenge faced by clients?

Tim Cullen (TC): Cash flow is the number one challenge in any business. Often I see businesses that bring in lots of revenue, but struggle to cover expenses.

Patricia Cotterell (PC): I agree, cash flow is often the issue that needs tackling as a priority. The implementation of effective debt collection procedures is crucial to managing cash flow. As well as keeping a good handle on all the businesses outgoings.

Craig Ayling (CA): For me, looking after individuals and providing financial planning and advice, it's about finding balance in investments. Walking the line between generating a satisfactory return and managing uncertainty and volatility is often a significant challenge with managing clients investments.

What is the strategy you most commonly recommend first to new clients?

Paul Bolton (PB): It's hard to say, because our strategies are always specifically tailored to each client's needs, but 'keep it simple' usually underlies strategies I develop for new clients. Strategies don't need to be too complicated, as long as you keep it smart.

Tim Davidson (TD): For me, it's usually about getting a new client to step back and take a look at the bigger picture of their business. When you are looking at developing new business strategies, it's important to first identify where you are and where you want to go. We can help new clients through this process and help them to identify their objectives.

CA: It's exactly the same for individual clients who come to Fortunity for financial planning or investment advice. In a business plan you call it a situational analysis. Take stock of where you are now and identify where you want to be. Only then can we work together to develop strategies to move them closer to their goals.

PC: Identifying an appropriate asset protection structure is commonly one of the first strategies I employ for new clients. Then a review of their current accounting system usually follows quickly. There are often simple changes that can be made to increase efficiency and make the system work better for everyone.

What sets Fortunity's team apart in the industry?

TC: We are larger than the majority of similar organisations on the Central Coast, which means we are truly able to deliver on the promise of integrated services. Our size allows us to employ staff who are specialists in a certain area of business advice, accounting or financial and investment advice. This means our clients can enjoy all the benefits of integrated services, while receiving highly specialised knowledge.

PB: I think it's more to do with the personal touch we provide to clients. The Fortunity team take the time to look closely at our client's situation and take a personal interest in maximising value on their behalf.

PC: It's both of those really. We have managed to strike a balance between having the resources of a larger firm and maintaining a focus on managing relationships personally so that our clients feel that we are right there with them on their business and financial journeys.

Why is it important for Fortunity to support the community?

TD: I think there are benefits to all businesses in supporting their community in some way, but because of our size we have a particular responsibility to become involved and to set an example of good corporate citizenship.

PB: I particularly enjoy Fortunity's sporting associations with the Central Coast Mariners and the Central Coast Bears. We are the only accounting and financial services group on the Central Coast that have the resources to support these teams and we are very proud of the role our support plays in building community spirit and providing the economic benefits to the region that sport generates.

CA: We are a part of the community, located on the Central Coast, servicing Central Coast clients and employing local people. It's important that we encourage our staff to get involved with the region in a more meaningful way.

PC: Definitely our community support is an integral part of our business. Fortunity in the Community is a group we have put together to effectively help the community out wherever we can. We are very proud to be able to contribute to our charity of choice Central Coast Community Chest by volunteering time and making donations from our various fundraising events.



WHAT THE PAID PARENTAL LEAVE SCHEME MEANS FOR YOUR BUSINESS

Australia's first national government-funded paid parental leave scheme is now in place, providing eligible working parents with up to 18 weeks of parental leave pay. The scheme is aimed at enabling working parents to stay at home and care for their baby full time during the early months of development. This government funded initiative will be paid at the National Minimum Wage, currently \$570 a week before tax.

So how does it all work and what do businesses need to do to prepare?

The new Paid Parental Leave Scheme has been introduced as an alternative to the existing baby bonus, an additional incentive to working parents. Given the new PPL scheme is administered through employers existing payroll systems it is essential that business owners are aware of their role and obligations.

From 1 July 2011 if you have an eligible employee you will be responsible for administering the Paid Parental Leave payments through your regular payroll. The Family Assistance Office (FAO) will provide the Paid Parental Leave funds to your business and you pass this amount on to your employees. You do not have to provide Parental Leave Pay until you have received the funds from the FAO. The scheme can be voluntarily administered from now, with early registration available via Centrelink's Business Online Services. Under the scheme, you are only required to provide Parental Leave Pay to your employee if your business has an Australian Business Number (ABN) and if your employee:

- has a child born or adopted on or after 1 July 2011.
- has been working for you for more than 12 months prior to the expected date of birth or adoption
- will be your employee while receiving Parental Leave Pay
- is an Australian-based employee, and
- is taking at least eight weeks Parental Leave Pay.

If your employee is to receive Parental Leave Pay for a child born or adopted between 1 January 2011 and 1 July 2011, or they choose to take less than eight weeks pay, or they have worked for you for less than 12 months, they may still be entitled to Paid Parental Leave but the FAO will pay them directly.

If you are to provide Parental Leave Pay to your employee, you and your employee should discuss their leave plans before the claim. It will also help if your employee lodges their claim for Parental Leave Pay before their child arrives, so that payment arrangements can be made without any delays. The employee should contact the FAO directly to make such a claim.

Note: Parental Leave Pay is in addition to any other obligations you have to your employee, for example an obligation under an industrial award or existing contract to provide an entitlement such as paid maternity leave.

Parental Leave Pay can be received before, after, or at the same time as employer-provided paid leave such as annual leave and/or parental pay.

Parents can nominate when they wish to receive their pay, however it must be taken in one continuous 18 week period. The start date cannot be before the child's birth or adoption, and all the Parental Leave Pay must be received in full within the first 12 months of the date of birth or adoption.

A guide to providing the Paid Parental Leave scheme to your employees:

1. Discuss with your employee their leave intentions prior to the birth or adoption.
2. The employee lodges a claim with the Family Assistance Office, up to 3 months before the expected date of the birth or adoption.
3. Businesses register for Centrelink Business Online Services at <http://www.centrelink.gov.au/internet/internet.nsf/businesses/index.htm> and pre-register for the Paid Parental Leave scheme.
4. Opt in to provide government funded Parental Leave Pay to your eligible employees.
5. The FAO then decides if your employee is eligible and if your business is required to provide Parental Leave Pay.
6. You will then either accept or seek a review of the decision that you are to provide Parental Leave Pay.
7. If you accept the decision you must provide your business and bank account details to the FAO.
8. Paid Parental Leave funds will be provided to your business before you are required to provide Parental Leave Pay to your employee.
9. You will provide Parental Leave Pay to your employee in accordance with their usual pay cycle throughout their Paid Parental Leave period.

For further information you can access all the relevant Paid Parental Leave documents including the Employer Requirement Statements and other brochures and booklets at www.australia.gov.au

Fortunity's HR team can also help point you in the right direction. If you have questions that need answers contact us today on 4304 8888, or email info@fortunity.com.au.





CENTRAL COAST MARINERS KICK GOALS

After five years of success under foundation Football Manager Lawrie McKinna, the Mariners welcomed in former Qantas Socceroos captain and coach Graham Arnold to take the reins in 2010/11.



The impact Arnold has had this season has been measured by the fact that the Club finished second on the A-League ladder before heading into the semi finals.

There is a real international flavour to the Mariners squad this season, after the signing of Argentine midfielder Patricio Perez – who played alongside the likes of Barcelona wizard Lionel Messi and Manchester City star Carlos Tevez in the Under 20's World Cup winning side of 2005 – and Dutch defender Patrick Zwaanswijk, who brings to the Coast not only 12 years of experience in Holland's top competition, but also a personality which reveals a huge belief in the important role supporters and sponsors play in the success of a club.

Off the field too, the club has kicked major goals, setting up a permanent home base at Tuggerah for the team to train, eat and meet, while the gates of Bluetongue Stadium have been thrown open to over 8,000 local footballers following the launch last year of free Junior Membership.

It's not only club footballers who benefit from the Mariners' work in the local community. The Mariners will head into primary schools around the region to implement a fun activity based football program.

The club's 22 contracted A-League players, along with Head of Sports Science Andrew Clark (who just so happens to be a former Mariner himself and a junior of the Mountains District Football Club) all have direct links to local junior clubs through an Ambassador program, adding to the very personal connection the Coast's only professional sporting club enjoys with its community.

Fortunity is proud to be a part of that close connection, and wishes the Mariners all the best as they continue to shine in the 2010/11 season.

LEANNE WALCOTT

Business Advisory Manager

Brief outline of role:

As a Business Advisory Manager my role is to provide professional and trusted business advisory services as well as develop and maintain strong relationships with Fortunity's clients. My role also involves training and mentoring junior staff members as well as maintaining my accountancy skills through engagement in regular industry updates.

What led you to a career in business advisory?

My father owned his own business so it was really from a young age that I became interested in the dynamics of business. I guess you could say I have business in my blood.

Best part of the role:

As an accountant it is important to stay on top of the latest legislation and trends in the industry and that is one of the best things about my role – I am constantly able to learn new things and increase my skills. Another aspect that I really enjoy is meeting new people, I find that it is very important to build a relationship with clients and by getting to know them you can really get an insight into their business.

Most challenging part of the role:

It is always difficult when a client is facing financial hardship. Although it is part of my role to provide the best advice I can, there are times when it has been testing as a clients' business is often part of who they are. You are working to save more than just a business but someone's livelihood.

Qualifications:

I completed my Bachelor of Management through Newcastle University in 2006 and went on to become a Chartered Accountant in 2008. I have recently commenced studying for my MBA and am really enjoying the process.

What do you enjoy about working at Fortunity?

Having the access to a broad range of services and knowledge as well as being able to draw on the strengths and experiences of colleagues, makes a big difference in our industry.

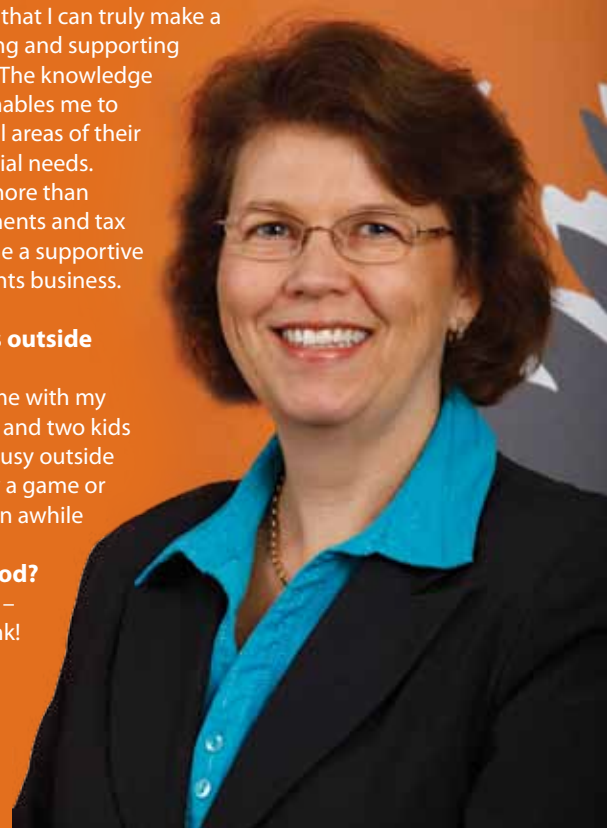
I also enjoy the fact that I can truly make a difference in assisting and supporting people in business. The knowledge base at Fortunity enables me to help my clients in all areas of their business and financial needs. We provide much more than just financial statements and tax returns – we become a supportive partner in each clients business.

Interests/hobbies outside work:

I enjoy spending time with my family. My husband and two kids certainly keep me busy outside of work. I also enjoy a game or two of tennis once in awhile

What's on your ipod?

My what?, No really – it is completely blank! I haven't quite had the chance to put anything on it.



SUBCONTRACTORS VERSUS EMPLOYEES

Do you know the difference between an employee and a subcontractor? Do you use subcontractors in your business?

If so, it is essential you are able to determine an employee from a subcontractor and satisfy the guidelines issued by the Australian Taxation Office (ATO), Office of State Revenue (OSR) and WorkCover NSW, that they are indeed subcontractors and not employees of your business.

The responsibility for the correct treatment of these workers lies solely with the employer. If you incorrectly classify them as subcontractors you are at risk of being liable to back-pay significant unpaid amounts under the Superannuation Guarantee, payroll tax and workers compensation legislations. You may also incur interest and penalties.

The ATO, WorkCover and OSR are very active in the audit and investigation of subcontractors used by businesses. It is essential that you review the terms under which you use any subcontractors to ensure that you are complying with all areas of the legislation. As in the case with State/Federal regulation, there is no single definition for an employee. It is essential to look at the substance of the relationship with the worker to determine whether or not they are an employee. We need to consider case law, ATO rulings and the extended definitions of employees under the different acts to determine the correct treatment.

Some of the requirements that should be satisfied to ensure you are able to classify a worker as a subcontractor rather than employee are as follows:-

- there should be a written contract with the subcontractor outlining the tasks agreed to be performed and these tasks should be based on results
- the contract should state who is required to perform the work and should be able to be delegated by the subcontractor to other persons
- the contract should outline how the subcontractor is to be remunerated
- the subcontractor should bear the risks of not achieving the results
- the subcontractor must be using their own tools and equipment, and
- the subcontractor should be incurring their own costs in relation to vehicles, mobile phones and other incidental business expenses.

Whether your workers are employees or subcontractors, is a question of fact that we are happy to work through with you.

For more information speak to your Fortunity Business Advisory Manager on 02 4304 8888.

2010 ECONOMY - THE YEAR THAT WAS

2010 was a year of ups and downs for investors, with a number of "big issues" raising some serious concerns. While none of these issues turned into a full blown crisis, the sheer number of problems, rescue packages, policy changes and general noise seemed overwhelming for many investors. Here we look at three of the issues that have made the headlines over recent months.

Sovereign debt concerns

We have been reminded over the last year that governments can default on their debt. The true (ugly) picture of Greece's finances emerged when it revealed that its public debt was larger than the total size of its economy. To contain the immediate problem, Europe's leaders surprised the markets by creating a €750 billion stabilisation package. This package was viewed as large enough to help other troubled European countries – including Portugal, Ireland and Spain. While the situation was effectively contained in 2010, it isn't resolved, with large public deficits continuing to be an important issue for many developed countries to address and wind down over the next few years.

Fears of a double dip recession

While many developing countries surged ahead, fears arose that parts of Europe and the US would go into recession a second time. Although, this has not eventuated, it is likely that some countries will have to deal with subdued growth rates and social disruption for some time. The US took the unconventional path of implementing a second round of quantitative easing (QE2), which is effectively "creating" money. The aim is to avoid deflation and provide a further boost for the economy. Recent economic figures released indicate that the recovery is picking up steam, so it appears to be working (although the long term consequences are somewhat unknown).

Doubts about China managing its slowdown

With China largely viewed as the world's growth engine, the possibility of an abrupt slow down spooked already nervous markets. It was also the year that Chinese policy makers took action to curb bank lending and take the heat out of their property market. China's central bank raised banks' reserve requirements three times, coordinated a marked deceleration in money and credit growth and raised interest rates towards the end of the year. At this stage, there is little sign that China is slowing too quickly and market concerns have abated on this front.

What this means for investors

As we head into 2011 the one certainty could well be more uncertainty! The big issues that drove the 'risk on, risk off' nature of market behaviour in 2010 have been contained, but not resolved. They are likely to take on a different dimension in 2011, as governments and policy makers work through potential solutions. In this kind of environment, diversification is an important aspect of capturing return and managing risk. Cash rates are relatively high, Australian shares deliver tax effective dividends and global markets offer strong potential returns.

FORTUNITY

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