

GROWING BUSINESS NEWS



2010 – A YEAR OF CHANGE



CONTENTS

- P1** 2010 – A year of change
- P2** A brand new year financially
- P3** AANZFTA – new opportunities in ASEAN
- P4** ATO 'about face' on trust taxation and corporate beneficiaries
- P5** Leading for results – get the right people from the start
- P6** Federal Government rethink on R&D tax credit program
- P7** Risk management
- P8** BDO not-for-profit fraud survey 2010

WELCOME TO ISSUE 18 OF GROWING BUSINESSES.

2010 is predicted to be a year of recovery and growth as the Australian economy moves forward following the economic crisis.

Some of the topics covered in this edition of Growing Business will assist you in preparing your business for 2011 and beyond, including advice on how to prepare your statements of financial position and performance, new trade opportunities in Asia, strategies for minimising risk and the importance of ensuring you have the right staff for your organisation.

Due to the economic challenges faced by many businesses over the past two years, it is important to commence your strategic plans for future financial years. When developing these strategic plans, it is essential to take a 'whole of business' strategic view and consider the different financial, marketing, operational and human resources perspectives of an organisation.

2010 may also represent a year of change in many aspects of our taxation system. We are anticipating the release of the Henry Review, which has been the most comprehensive review of our taxation system in decades. The Cooper Committee has completed a review of the Australian superannuation system and we now wait to see what recommendations are adopted by the Federal Government.

We will continue to provide updates on these changes and our assessment of their potential impact on your business and personal wealth.

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"2010 may also represent a year of change in many aspects of our taxation system."



A BRAND NEW YEAR FINANCIALLY

THE 2009 CALENDAR YEAR WAS TURBULENT IN WORLD FINANCIAL MARKETS. IT IS THEREFORE CRITICAL TO ENSURE THAT YOU ARE WELL PLACED TO MOVE THROUGH 2010 WITH A SOUND FINANCIAL PLATFORM.

Now is the best time to critically review the financial performance and operational structure of your business, starting with your statement of financial performance and statement of financial position, where there are a number of key questions to ask.

Firstly, in relation to your statement of financial position, consider the following critical aspects:

Revenues

- Did you meet your budgets / targets as set out in your business plan?
- Was revenue concentrated to a small number of customers?
- Where did revenue come from? Did you lose any customers or revenue sources during the year?
- What opportunities are there for increased revenues during the next 12 months from new and existing clients?

Costs

- Did gross profit meet the targets set by your business plan?
- Were there cost overruns during the year?
- Are you using your buying power to your maximum advantage?
- Are suppliers giving you the best value?
- Do you have any 'lazy' costs that can be eliminated?
- Is your business profitable and meeting return on investment targets?

A thorough analysis of the statement of financial performance is critical to understanding the revenue and cost drivers of your business. Vigilance in managing revenue and particularly costs is key to ensuring profitability.

Secondly, with your statement of financial position, you need to consider the following:

Current assets

Stock

- Review the valuation of and the turn rate of stock
- Are you carrying excessive or obsolete stock?

Debtors

- Review the quality, concentration and particularly the turn rate of your debtors
- Do you have appropriate terms of trade and retention of title in place?

Work in progress

- Are your inventory levels appropriate for your business?
- Can you source other suppliers to achieve cost savings and reliability of supply?
- Is your work in progress operating at acceptable levels of efficiency?

- How quickly can you adjust your output to take advantage of improved conditions and conversely a decline in conditions?

- Do you have adequate working capital?

Non current assets

- Is your plant and equipment up to date?
- Is your plant and equipment being used at its optimal efficiency?
- Now is a good time to review and consider your occupational health and safety obligations
- Do you have any assets that are surplus to requirements?

Current liabilities

- Are you making the most of creditor terms available to you?
- Are you meeting both short term and long term banking covenant obligations?
- Do you know your immediate, short term and mid term borrowing requirements?
- Do you have adequate facilities in place to meet these needs?

Non current liabilities

- Can you manage your long term debt obligations and meet banking covenants?
- What plans do you have for reducing long term debt?
- Are you getting the best pricing possible from your bankers?

Understanding the financial position of your business is critical to determining the level and mix of capital required to maximise the return on your investment.

Overview

The above points are not an exhaustive check list of the financial aspects of your business where a 'health check' or review is desirable. They are however, often the key areas that are overlooked.

For a detailed review of your business and operations, please contact your local BDO adviser.

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AANZFTA – NEW OPPORTUNITIES IN ASEAN

AS OF 1 JANUARY 2010, AUSTRALIA HAS A NEW FREE TRADE AGREEMENT (CALLED AANZFTA) THAT LINKS US WITH THE ECONOMIES OF THE ASSOCIATION OF SOUTH EAST ASIAN NATIONS (ASEAN) AND NEW ZEALAND IN A SINGLE FREE TRADE AREA. THIS EFFECTIVELY CREATES A MARKET OF 600 MILLION PEOPLE, WITH A COMBINED GDP OF \$3.2 TRILLION – OR THREE TIMES THE SIZE OF AUSTRALIA'S.

For exporters and investors in the ASEAN region it means new trading opportunities, increased certainty and an excellent platform to strategically access ASEAN's neighbours including China, Japan and India.

AANZFTA will be ASEAN's most comprehensive Free Trade Agreement (FTA) to date, covering a range of areas including: goods, services, investment, intellectual property and e-commerce. For Australian business this will see the binding of existing low tariff wins (secured in previous FTA's in the region e.g. NZ, Singapore and Thailand), the scheduling of further tariff reductions (either straight away or over the next ten years), and finally the positioning of Australia within the ASEAN markets.

Perhaps the most immediate and obvious of AANZFTA's benefits is the elimination and ongoing reduction of greater than 90 per cent of tariff lines in key export industries; including agriculture, automotive, minerals and pharmaceuticals. For its part, Australia has committed to the removal of nearly all tariffs on imports from ASEAN, with total tariff elimination by 2020.

The benefits of FTA's like AANZFTA are however broader than just specific tariff reductions. AANZFTA has for example, imbedded indirect benefits that relate to business rules, competition policy, standards and legal protection. These initiatives will enable Australian businesses to operate and expand in the region in a new environment of increased business transparency and confidence. Given the growth of ASEAN's middle class and unprecedented demand from the region for Australian goods and services (recent growth is second only to China), the timing for exporters

to seriously look at the market has never been better.

Australian sectors that will experience tariff reductions and new market opportunities in ASEAN include agriculture (meat and livestock, fish, grains, horticulture and dairy products), automotive parts and components, pharmaceuticals, chemicals and electrical machinery. In addition to these tariff reductions, the AANZFTA also means substantial changes to the rules of origin provisions for products. Under the new provisions, a product that has been totally produced, obtained or substantially transformed in any of the countries covered by AANZFTA should meet the rules of origin (subject to existing FTA's in place). For Australian goods exporters, assemblers and manufacturers this has the potential to open up new cost-effective supply chains within ASEAN without being subjected to tariffs.

The signing of the agreement also realises benefits for Australian service providers and investors targeting the ASEAN region – effectively levelling the playing field. For services for example, the new agreement binds the 12 economies to a new platform for the recognition of competency standards and sets new rules around licensing procedures. Australian investments in ASEAN (with a total stock in excess of AUD\$34 billion) will now also be supported by the agreement which aims to achieve new levels of ease in funds transfers and, where needed, compensation and dispute arbitration.

With AANZFTA now in place, Australian exporters and investors should now be taking a fresh look at the ASEAN region. Our new FTA with the region presents an excellent window to explore new business opportunities in a

lower tariff environment – but with increased certainty and transparency.

If you would like further information, please visit the Austrade website: <http://www.austrade.gov.au/default.aspx?ArticleID=11334>

For your information: AANZFTA stands for the 'ASEAN', Australia and New Zealand Free Trade Agreement and the 10 nations of the Association of South East Asian Nations (ASEAN) are:

- Brunei
- Cambodia
- Indonesia
- Lao People's Democratic Republic
- Malaysia
- Myanmar
- Philippines
- Singapore
- Thailand
- Vietnam

For further information on AANZFTA and the opportunities available for Australian companies, please contact your local BDO adviser.

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ATO 'ABOUT FACE' ON TRUST TAXATION AND CORPORATE BENEFICIARIES

ON 16 DECEMBER 2009 THE AUSTRALIAN TAXATION OFFICE (ATO) DELIVERED AN UNWELCOME CHRISTMAS PRESENT TO TAXPAYERS USING PRIVATELY HELD TRUST AND COMPANY STRUCTURES, IN THE FORM OF A DRAFT TAXATION RULING THAT IN MANY RESPECTS REPRESENTS A COMPLETE 'ABOUT FACE' FROM THE ATO'S PREVIOUS POSITION ON TRUSTS WITH CORPORATE BENEFICIARIES.



By way of background, during 2009 a senior officer of the ATO made some comments at a seminar concerning the taxation of trusts, in particular the circumstances in which Division 7A of the *Income Tax Assessment Act 1936* could result in adverse tax consequences for trusts.

The ATO officer said that the ATO was becoming particularly concerned about the widespread practice of discretionary trusts using corporate beneficiaries. Under this type of structure, a discretionary trust may allocate some (or all) of its income to a corporate beneficiary, but not pay over the income until a later date (these unpaid income distributions are often termed 'unpaid present entitlements' or UPEs). In the meantime, the income represented by the unpaid present entitlement is reinvested by the trust in its ongoing business. The ATO officer questioned whether unpaid present entitlements constitute 'loans' made by the corporate beneficiary to the trust for the purposes of Division 7A.

Division 7A was originally introduced to address a tax mischief under which shareholders of private companies could extract the company's profits as a tax-free 'loan' instead of as a taxable dividend, and generally provides that a loan made by a private company to a shareholder or associate is treated as an unfranked dividend (and hence taxable to the recipient of the loan) unless the loan is placed under a written loan agreement which imposes certain minimum interest rate and repayment requirements.

Thus, if an unpaid present entitlement represents a loan by the corporate beneficiary to the trust, the unpaid present entitlement may be treated as a taxable dividend to the trust (to the extent of retained profits of the corporate beneficiary), unless the 'loan' is subject to a written loan agreement specifying the appropriate minimum interest rate and repayment terms.

To date, it has been commonly accepted by taxpayers (and indeed by the ATO) that a company's unpaid present entitlement to trust income is not a 'loan' by the company to the trust for Division 7A purposes (provided that the unpaid present entitlement is not classified as a loan back to the trust in either the company's or the trust's accounts).

However, in a complete 'about face' from its previous position, on 16 December 2009 the ATO released Draft Taxation Ruling TR 2009/D8 which suggests that in many situations, an unpaid present entitlement could be regarded as a loan from the corporate beneficiary to the trust for the purposes of Division 7A in a wider range of circumstances previously understood to be the case.

According to TR 2009/D8, in the ATO's view an unpaid present entitlement will now include circumstances where the unpaid present entitlement could be taken to be a form of 'financial accommodation' provided to the trust if the corporate beneficiary allows the trust to continue using the funds representing the unpaid present entitlement by not calling for:

- payment of that unpaid present entitlement; or
- investment of the funds representing the unpaid present entitlement for the corporate beneficiary's absolute benefit (with no benefit accruing to the trust from the use of those funds).

This requirement for an unpaid present entitlement to be invested for the corporate beneficiary's absolute benefit is a new development and for many groups may present practical difficulties. However, as a modest concession of the fact that the ATO has previously advised taxpayers that an unpaid present entitlement is not a loan for Division 7A purposes, TR 2009/D8 states that the 'new' treatment will not apply to unpaid present entitlements arising before the date of issue of TR 2009/D8 (ie: before 16 December 2009). Accordingly, the new treatment will be relevant for trust distributions for the 2009/2010 year.

The proposed new treatment of unpaid present entitlements set out in TR 2009/D8 is an important issue and will generally apply to the majority of corporate beneficiaries. Practically, TR 2009/D8 will impact the use of 'bucket' companies, and will generally require unpaid present entitlements arising in respect of the 2009/10 and later years of income to be put under written loan agreements, which will generally require the unpaid present entitlement to be paid over to the company (with interest) over the course of seven years. Many private groups may find these conditions difficult to comply with.

Alternatively, TR 2009/D8 indicates that it will be necessary to tag the unpaid present entitlement with some form of income entitlement from the use of the unpaid present entitlement by the trust in order to show that the unpaid present entitlement has been invested for the sole benefit of the corporate beneficiary. Complying with this requirement will be difficult in practice.

For further information on how our team can assist with the likely impact of TR2009/D8, please contact your local BDO Tax adviser.

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LEADING FOR RESULTS – GET THE RIGHT PEOPLE FROM THE START

WHAT MAKES PEOPLE PERFORM? AS BUSINESS LEADERS, WHAT CAN WE BE DOING TO GET THE MOST OUT OF OUR STAFF?



“People perform best if they are the right cultural fit, have the right skill set...”

The Global Financial Crisis (GFC) turned the focus of business leaders to the strength of their operations, and in doing so reconfirmed the critical role played by staff in delivering a solid bottom line to organisations.

Before the global meltdown, many businesses experienced a critical shortage of skilled staff and were forced to take on new recruits that did not always meet the requirements of the role.

Post the GFC, it is now an employer's market – and businesses are taking a step back and re-thinking their recruitment strategies. In particular, they are questioning what they can do to ensure they are getting the most out of their staff.

So how do our best leaders bring out the best in their people? Basically, it comes down to recruiting the right people for the right role and ensuring their staff are doing the right things correctly.

Role profiles

We have all been guilty of it – a rushed process, an ill-defined role, lack of clarity on expectations. The result is often recruiting someone who is either not a cultural fit for the business or does not have the right skill set to deliver the requirements of the role.

So what can we do to get the fit right from the start?

The very first step is to ask yourself the question, do we actually need this role? If the answer is 'yes', develop a solid role profile.

The purpose of the role profile is to ensure that the profile of the person being recruited for the role is clear and meets the requirements of the business. In addition, it acts as a background briefing for a psychologist, should psychometric

testing be required.

The role profile should set the context of the business - the purpose, culture, people, markets, services, products, operations, opportunities and challenges – along with the purpose of the role, the key areas of responsibility (and related tasks if appropriate), the technical criteria, skills, previous experience and personal qualities sought.

Organisational alignment

Ask yourself what you have really admired about the great leaders you have worked with? And more importantly, do you consider yourself a leader?

If you find these questions difficult to answer, it may be that you are yet to really understand your own leadership style.

There are many different styles of leadership. Today the theory with most currency is that of 'transformational leadership' – charisma that transmits pride, vision and mission.

The transformational leader inspires and encourages free and creative thinking and always treats the individual on his or her own merits, seeking to develop the person's skills and capabilities.

Transformational leaders are able to create a 'holding environment' in which people can talk, discuss and prepare for change. They give direction and manage the rate of change and progress (The Complete Guide to Coaching at Work, by Zeus and Skiffington, 2000.)

The key to successful leadership is creating an environment that not only inspires and empowers staff, but most importantly, ensures the critical needs of the business are being met and the right things are getting done.

Alignment starts with the role profile and recruitment and delivers outcomes when it is embedded into the operations of the business.

Alignment can be in the form of a clear strategic and operational plan and well established key performance indicators that demonstrate how each individual contributes to the organisation meeting its goals. Enablers of alignment are the drivers of culture, such as organisational values, performance management systems, learning and development programs and reward and recognition systems.

People perform best if they are the right cultural fit, have the right skill set, understand what is expected of them and are rewarded and recognised appropriately.

The key is to start the journey at recruitment, since the success of an organisation is dependent on its people. Use this first step to ensure you have the right people on your team to deliver the results you need.

For further information on how our team can assist with recruitment solutions for your business, please contact your local BDO adviser.

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FEDERAL GOVERNMENT RETHINK ON R&D TAX CREDIT PROGRAM

IN A DIRECT RESPONSE TO INTENSE CRITICISM FROM THE BUSINESS COMMUNITY, IT WAS REVEALED THIS WEEK THAT THE FEDERAL GOVERNMENT INTENDS TO 'WATER DOWN' THE MORE CONTENTIOUS CHANGES TO THE PROPOSED RESEARCH AND DEVELOPMENT (R&D) TAX CREDIT PROGRAM.



This was obviously welcome news to the Australian business community, particularly those who currently have their 2010/2011 R&D budgets on hold until further clarification is provided as to what R&D activities will be supported by the Government going forward. It also meant an 11th hour rewrite of this article (which was initially entitled 'The death of Government support for Innovation and R&D in Australia'), but a rewrite BDO was more than happy to make.

When released just prior to Christmas, the Exposure Draft Legislation (EDL) received almost universal condemnation from the business community, industry associations, professional advisers, academia, and even the Government's own innovation advisers. There was a real and genuine concern that the new program, if enacted in its proposed form, would have an immediate, material and adverse impact on the level of R&D conducted in Australia by Australian businesses. The complex, subjective and onerous nature of the proposed R&D Tax Credit System would not only preclude the large majority of companies from receiving support for undertaking R&D activities that are commercially successful, but it would also prevent companies from being

able to assess their eligibility to the program until after the completion of their R&D project.

In seeking to shift the thought process behind this ill conceived Government policy (and at the request of Treasury) BDO is currently in the process of drafting its fourth submission to the Government, outlining concerns as to the potential consequences of the EDL, providing practical examples as to why the legislation does not deliver the Government's policy intentions and putting forward laudable suggestions in order to strengthen the new R&D tax incentive program and improve the level of innovation conducted within the Australian business landscape.

While occasionally feeling as if we were banging our collective heads up against a brick wall, this week's development has provided BDO with renewed strength and vigour. With that being said, anyone involved in the secret processes involved in changing Government policy understands that we are not yet out of the woods. When it is released (said to be due later this month), the Government's newly drafted policy may be equally complex and uncertain as the proposed original changes, therefore, while BDO is cautiously optimistic, it is not getting too far ahead of itself.

When the announcement of the new R&D Tax Credit was made in the May 2009 Federal Budget, BDO welcomed the Government's announcement that the new policy would deliver a higher level of support for innovative activities conducted by Australian businesses, particularly those in the SME arena. It was also viewed as a real indication on the Government's continuing commitment to support innovation in Australia. When the consultative paper (CP) was released on 18 September 2009 and then the EDL and explanatory materials (EM) released on 18 December 2009, the Australian business community (and BDO) was, to say the least, disappointed and somewhat aggrieved.

The speed of the EDL release (following the closure of the consultative process) indicated that little time (if any) had been taken by Australia's legislators to consider over 200 submissions, with many in the media concluding that the whole consultation process was simply 'lip service'.

When released (a week before Christmas), the EDL was widely viewed as fundamentally changing the proposed nature of the R&D tax credit system. As currently drafted, the EDL does not deliver the promised more predictable, streamlined R&D tax credit aimed at providing SME's with greater access to Government funding. Instead, it appears to be solely and wholly aimed at reigning in the Government's annual \$1.4 billion spend on R&D activities.

Fundamental to the failure of the EDL to deliver the Federal Government's stated intention is the fact that the legislation actually rewards failure. Indeed, if an SME is smart enough to solve a complex technical issue and then commercially savvy enough to make money out of the solution (via higher production rates and more innovative products), the draft legislation will not provide any support whatsoever for the company's investment in innovation. This is regardless of the fact that new technology may have been developed and the Australian economy will reap the rewards of the successful innovation via increased royalties, export earnings, and increased employment.

The fundamental flaw in the EDL is the fact that, if the same project had failed to achieve a successful technical outcome or the company was not able to commercialise the results of the R&D, the company would be eligible to claim the costs of the R&D activities because there was no income to net off the R&D

expenditure against. Success plays no part in the Federal Government's proposed R&D tax credit, a concept that does not sit comfortably for most Australian businesses that enter into R&D activities with the intention to succeed in developing technical outcomes and to then exploit the results of their R&D activities.

Whilst the proposed R&D Tax Credit offers SME's (i.e. those businesses with a grouped turnover of less than \$20 million) an ability to 'cash out' their R&D expenditure via a 45 per cent refundable tax credit (effectively returning 15 cents in the dollar, compared to 7.5 cents in the dollar under the current R&D tax concession scheme), the EDL indicates that the types of activities and costs eligible to be rebated have been significantly reduced. This situation has led to the real concern that the benefit of the R&D Tax Credit may have increased (compared to the current R&D Tax Concession program), however the number of SME's eligible to claim the increased benefit, and the expenditure that is considered eligible, is likely to be significantly reduced when compared to the current R&D incentive.

The main changes initially proposed by the Federal Government that were likely to cause concern and impact an SME's eligibility for the new R&D tax credit are:

- the introduction of a dominant purpose test with respect to supporting activities;
- an expanded feedstock concept, that effectively requires the cost of conducting R&D activities to be netted off against the market value of the output of the R&D activities; and
- provisions that result in eligibility being only assessable in retrospect, making it difficult for decision makers to quantify the value of the R&D tax credit.

Due to the proposed requirement to net off R&D costs against the market value of the R&D output, the manner in which the Government supports innovation in Australia has changed from a guaranteed, merit based program (whereby a company can assess its eligibility to the R&D incentive prior to the conduct of the R&D activities) to an 'end of project' reimbursement that effectively 'compensates' companies who have failed to succeed in their R&D endeavours or who have failed to commercialise the results of their R&D activities. This type of retrospective assessment, where eligibility for the proposed tax credit system can only be determined after all activities are completed seems counter to the Government's claim that the new program is expected to deliver more predictable results to key decision makers within a company.

When faced with such a flawed piece of Government policy, it is with genuine relief that the Government and Treasury have now acknowledged that the wide scale changes outlined in the EDL (as currently drafted) gives rise to many unintended consequences, as well as being far more complex and unpredictable than the Government had originally intended.

As a firm that has been instrumental in making representations to Treasury and Government ministers on this issue, BDO welcomes the Government's reassessment, and redrafting, of the EDL. BDO will continue to work with Treasury officials to ensure the final legislation is equitable, more predictable and achieves the Government's intended purpose of motivating Australian businesses to continue to invest in innovation – an outcome that will benefit the Australian economy for generations to come.

For further information on the R&D Tax Credit, please contact your local BDO adviser.

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RISK MANAGEMENT

INVESTMENT STRATEGIES FOR LARGE, CONCENTRATED STOCK HOLDINGS

Managing a concentrated exposure to a particular stock can minimise downside risk and often can be transacted for zero cost.

This case study involves our client, a Director of a large, publicly listed company who had served the company for a considerable tenure. During the latter part of his employment, he received share options on an annual basis as part of his overall remuneration package.

The Director was due to retire in the upcoming months and as a result of his concern about his concentrated exposure to the company, he sought our advice.

The challenge

We discovered three main challenges that our client faced upon his retirement:

1. To fund the exercise of the options, more than \$1 million of funding was required. The client did not have access to this level of funding through traditional means.
2. The strike price of the options was significantly lower than the current market price of the shares. If the client was to simply sell the underlying shares within 12 months of exercising, a significant capital gains tax liability would be realised.

3. If the client did exercise the options and hold the underlying shares, then he'd have a concentrated exposure of more than \$3 million in the company. In a volatile market such as that which we were experiencing, this strategy did not match the client's risk profile.

How the BDO team helped the client

After meeting with the client and discussing their view on the company and their attitude to risk, our team presented a sophisticated but conceptually simple strategy that involved the use of 'options' to provide a structured solution to the challenges presented. Our key recommendation was that the client should exercise his options upon retirement within the context of our proposed solution.

We then worked with a major Australian Bank to build our structured product solution that:

- Provided a loan to fully fund the exercise price of the options
- Provided for the shares to be held by the client for a period of time, in a 'cap and collar' arrangement where the probability of 'exercise' was low
- Provided 80 per cent capital protection over the total share-holding for the holding period

- Provided 120 per cent capital upside should the shareholding appreciate further from current market value
- Upon maturity of the 'cap and collar', assuming no exercise, roll the facility into a standard margin loan facility, to be redeemed at the client's discretion.

Benefit for the client

Our team was able to provide this structured 'protection' solution at zero cost to the client.

Building upon the benefits

The client is now working with us to develop a sophisticated retirement and investment strategy for his family's substantial wealth, including the establishment of a Philanthropic Foundation for their many charitable interests.

For more information on BDO Private Wealth services, please contact your local BDO adviser.

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BDO NOT-FOR-PROFIT FRAUD SURVEY 2010

THE BDO NOT-FOR-PROFIT FRAUD SURVEY 2010 IS THE THIRD BIENNIAL SURVEY OF ITS KIND, BUILDING ON THE KNOWLEDGE AND EXPERIENCE GAINED FROM THE 2006 AND 2008 SURVEYS.

The results of this year's survey, combined with the information from previous surveys, provide an important benchmark for not-for-profit organisations by revealing the perception and level of fraud in the sector, examining specific incidences of fraud and highlighting the measures the sector is using to prevent fraud.

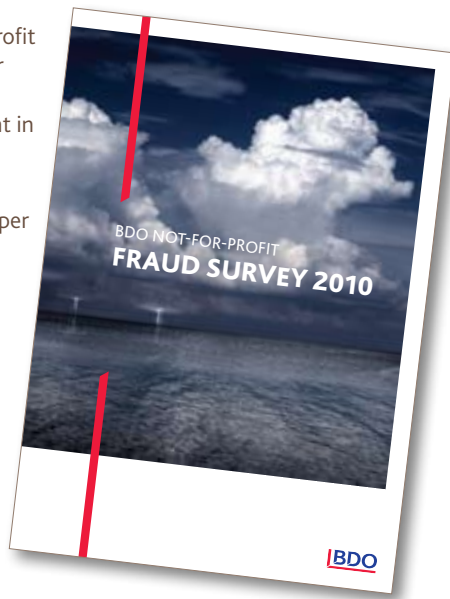
As with previous surveys, there are positive results from the survey and some areas where the sector can improve to reduce the risk of fraud, but the good news out of the survey results is the decrease in the level of fraud occurring in the sector.

Key findings include:

- There's been a decrease in fraud in the not-for-profit sector compared to our previous surveys – 15 per cent of respondents reported suffering a fraud in 2010, whilst in 2008 it was previously 16 per cent in 2008 and 19 per cent in 2006
- The number of respondents who see fraud as a problem in their organisation has declined to 14 per cent from 20 per cent in our 2008 survey
- Conversely, the number of respondents who do not see fraud as a problem for their organisation increased from 80 per cent to 86 per cent
- In addition, only 12 per cent of respondents expect fraud to become a greater problem in the future
- 80 per cent of respondents have reviewed their internal controls over the past two years.

Fraud poses a significant risk to not-for-profit organisations but this risk can be mitigated by implementing policies and procedures to prevent, detect and respond to fraud. We believe the ongoing research we are undertaking for the sector will help not-for-profit organisations in the fight against fraud.

Please visit the BDO website (www.bdo.com.au/survey/not-for-profit/2010/) to download a copy of the report.



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FOOTNOTE OMITTED FROM GROWING BUSINESS ISSUE 17.

IN THE PREVIOUS EDITION OF GROWING BUSINESS, ISSUE 17, THE FOOTNOTE BELOW WAS OMITTED FROM THE KARINA COLLINS ARTICLE, 'STRATEGY FOR CHANGING TIME'.

Portfolio Management focuses on managing a portfolio of opportunities, ensuring the business is continuously:

- defending the business it is in today;
- investing and growing what it knows are the businesses of tomorrow; and
- searching for what may be the businesses beyond the business of tomorrow[i].

[1] Concept derived from 'The Alchemy of Growth', By Mehrdad Baghai and Steve Coley and David White

We apologise for any inconvenience this may have caused.

WE WANT TO HEAR FROM YOU

Your feedback is important to us. If there are any topics that you would like addressed in Growing Business News, please send your request through to daile.smith@bdo.com.au