

Growing Businesses

Autumn 2006

From the Editor

The BRW Fast 100, of which BDO is the major sponsor and supporter, announced the 2005 winners in Melbourne in October. The main factor cited by Fast 100 companies that brought about fast growth was innovation. In this issue we look at Innovation and pose some pertinent questions for your business. We also recognise that not all businesses are at the fast growth stage and in our article on "Taking the next step", we discuss ways to move forward when your business plateaus. For those wishing to avoid decline, we identify the 11 common causes to look out for in your business.

Bernard Curran, Editor

Inside this Issue

<i>Innovate for growth</i>	1
<i>Taking the next step</i>	2
<i>The eleven common causes of business decline</i>	6
<i>Philanthropy and tax</i>	7
<i>Growing curiosity – Q&A</i>	8
<i>Is Australia really a poor performer?</i>	9
<i>Women's champion trophy</i>	10
<i>Chinese accountants learn from Australian experts</i>	11
<i>New appointments</i>	12

Innovate for growth

Author: Denise Raybould, Consulting Services, BDO Kendalls

How innovative is your organisation? What new products or services or improvements to products and services have you implemented in the last year? What changes have you made to the way you promote your products and services and interact with your customers? What improvements have you made to your internal systems to help deliver superior customer service?

Innovation is the key to sustainable competitive advantage – and the companies in the BRW Fast 100 know that, with innovation cited as the main factor that brought fast growth. 75% of the BRW Fast 100 companies say they have developed a unique product or service, essential for a first-to-market advantage and resultant premium pricing and profitability. This contrasts with a study of Innovation in Australian Business which found that 34.8% of businesses undertook innovation and 16.6% introduced new or significantly improved goods or services.

What is innovation? Innovation is more than having an idea – it's about creating value from the idea – transferring the idea into products, services and processes that a "market" wants.

Although we usually think about new products and services, innovation can be about a range of business activities: the business model; networks and alliances; core or enabling process such as information technology or people management; product system and performance; service; the channel; the brand; or the customer experience.

How do you become more innovative? Keep close to your customers – a customer's difficulties can create new business opportunities. Many people can identify problems in an industry or market – successful entrepreneurs solve the problem in a way that the market appreciates. Developing products and services in line with the market – using a market "pull" approach – significantly reduces the risk of product failure. This approach is far easier than one where a new product or service is created and a market needs to be developed and educated – known as product "push". *Continued on page 5 >>*

Taking the next step: When business growth plateaus... it's time to take the next step!

Author: Peter Jordan, Consulting Services, BDO



Identifying when your business has hit a growth plateau requires taking an objective assessment of your business performance.

There are a number of indicators that highlight when business growth has stagnated. Consider the following:

- turnover is up, however profits are not increasing;
- you're making profits, but there seems to be no cash in the business;
- you have lots of ideas regarding growth and how to grow, but never have the time to implement them;
- you are not sure whether you are ready to take the risk and expand, although everyone around you wants you to do so;
- you have achieved what you originally set out to do – but are unsure of the next step;
- there are many proven business models for growth and there are some clear steps that you can take to refocus your organisation and get it back on the path to growth;
- there are no single defining characteristics for a growth business. If we consider companies from the BRW Fast 100 list in 2005, we find that these companies:
 - operate across a broad range of industries – from retail to information technology, health, manufacturing, finance, property, culture and recreational services;
 - originate from states and territories across Australia;
 - can have less than 50 employees (72%); and
 - are not necessarily listed on the stock exchange (90%).

Identifying where growth can be achieved means revisiting your current business strategy and may require implementing a significant change from the current way you do business – needless to say, this change can take many forms.

Growth through strategic change

Other areas where growth may be achieved include introducing better business practices, such as, improving your distribution channel, conducting more effective marketing or focusing on greater client satisfaction; or through growing your market and diversifying, such as increasing your market share, geographical area covered, entering new markets or introducing new products.

1. Growth through changing structure and developing business alliances

Introducing new products and services or expanding into new markets presents a strategic challenge for successful businesses. Once you've established the direction you would like to see your business grow, there are four basic options to achieve this growth:

a. Organic growth – ensures that you keep control and can be achieved by increasing production, volumes, number in sales force etc. Organic growth may mean developing alliances and partnerships, including partnership building within the community.

b. Acquisition of a competitor or an organisation that provides a complimentary capability.

Online recruiting internet site, SEEK Ltd, purchased online training software providers Dynamic Web Solutions and SelfCert to expand their service offerings to prospective job-seekers.



Earlier this year, Australia's multi-beverage company, Fosters Group Ltd, acquired the wine producing competitor, Southcorp Ltd, thereby expanding their range of wine products to the market.

- c. Merger** – where synergies can be gained for both parties who offer complimentary services to the market.

Two Australian owned and family operated companies in the petroleum and environmental industries have recently merged to form JFTA petrochemical services. The success of the merger can be attributed to the complimentary business offerings and a common culture of vision, values and beliefs.

National Foods Ltd (a subsidiary of San Miguel), specialise in fresh dairy products and have recently merged with Berri Ltd, one of Australia's national fruit juice manufacturers to provide a wider product range to market.

- d. Franchise** – an effective way to manage and build a brand while ensuring individual franchisees have ownership in running the business.

Ella Bache's CEO, Karen Matthews, also Telstra's NSW Business Women of the Year (2004), introduced the concept of franchising to skin care products as a means of enforcing product standards across Australian beauty salons.

Diana Williams is the founder of the Fernwood Women's Health Club and used franchising as a mechanism to expand Fernwood gyms and ensure that they were managed by owners who are as passionate about the health and fitness industry as she is.

2. Organisation Change

Growing your business may mean introducing new directors, owners and/or managers to the business. New people in decision-making positions can introduce new expertise – better processes; access to new and different networks; or someone who has just done it before and can offer advice in negotiating the growing pains.

Establishing a **company board** is an effective mechanism for introducing expertise to your business. 34% of 2005's BRW Fast 100 companies have **external directors** on their board and 69% acknowledge corporate governance in contributing to the growth of their business. Andrew Buxton, Managing Director of MAB Corporation – a firm that specialises in property development, construction and investment – attributes the discipline of committing to corporate governance and the board as an important component of their growth.

Although it should be noted that a company board can only be effective where there is a strong commitment by owners and managers to abide by decisions made at the board level.

In addition to industry representation, it is desirable to have board members with the following mix of qualities, which may or may not be found in the one director:

- experience in an organisation at a similar growth stage;
- legal expertise;
- media and marketing experience; and,
- networks with customers and suppliers.

An important part of growth is ensuring your management team has the operational capacity to grow. However, there are some real challenges that entrepreneurial businesses often encounter when they wish to expand their management team. These are:

- a. getting outsiders into the 'inside';
- b. understanding that in practice the real decisions are made around the dinner table or the 'Golden Fleece' rather than in the boardroom;
- c. specialists threaten existing staff who may have been there since the company's inception;
- d. new staff expect too much power or are over-sold the job;
- e. the founders talk a good line about 'letting go' but can't manage to keep their nose out of the day-to-day operations;
- f. the founders don't have the capacity to make the change.

There are many challenges regarding stepping back from some of the operational elements of your business, but this will provide you with more time to focus on the strategic priorities of growing.

3. Access to expansion capital

Accessing expansion capital is a popular method to fund growth and is becoming easier as capital providers shake off the memories and implement some of the lessons learned from the 2001 'Tech Wreck'.

However, prior to committing to a decision to 'raise more capital', there are some practical implications to consider.

- a. Identify the reason why you are raising funds** so that you can determine the required amount of funds and the term for which you need those funds (ie. short-term, long-term or permanent).
- b. The funding mix** – what is the debt to equity ratio that you feel comfortable with and that your business can afford? Many start-ups who are cash-poor choose to offer equity to investors. This is an attractive option for funding new initiatives, but this may mean diluting your control and decision-making capabilities. Business debt can be a cheaper source of funds. You need to identify the form of funds most appropriate to your needs and circumstances.
- c. Do your research – what is the cost of raising equity?** The benefits of raising capital need to outweigh its expense. Make sure you understand the scope of the legal and accounting costs, financial reporting requirements, due diligence preparation, underwriting costs and marketing preparation required for your equity offer.
- d. With whom would you share ownership in your business?** Understand who would be your best source of finance and on what terms. Also consider the cultural compatibility of your funding source when this means dilution of your control.

The two primary sources of accessing expansion capital are as follows:

Private – this can be via a venture capitalist, business angel, sophisticated private investors and also includes banks in the form of business loans.

Carsales.com.au is an internet business that sells cars for dealers and individuals and achieved significant growth through seeking expansion capital within the automotive industry. Originally, Carsales.com.au formed an unlisted public company that provided car sales advertising. Greg Roebuck, CEO of Carsales.com.au, identified the strategy of selling shares to automotive businesses to provide car dealers with the opportunity to own the new classifieds media – providing an attractive alternative to supporting Australia's media barons, Rupert Murdoch and Kerry Packer.

Realestateview.com.au Ltd is a successful online listings portal that provides sales and leasing marketing for real estate agents. Start-up funds were raised by seeking private equity solely within the real estate industry – issuing shares to 'sophisticated investors'.

This is an attractive option for funding new initiatives, but this may mean diluting your control and decision making capabilities.

Public – Listing on the Australian Stock Exchange (ASX) or an alternative stock exchange market, such as the Bendigo Stock Exchange (BSX) or Newcastle Stock Exchange (NSX) enables you to raise equity via a public company listing.

Of interest, the BSX and NSX have been tailored to accommodate small to medium sized businesses and have more cost effective listing fees. Brumby's Bakeries is one such company that has listed on the BSX.

Thirteen out of 2005's BRW Fast 100 are planning to list within the next two years. The turnover for these companies ranges from \$2.8m to \$171.8m.

Regardless of the nature and terms of the capital that you want to raise, accessing it often requires demonstrating a strong trading history and evidence of plans for growth, including how you intend to apply your newly acquired capital to those growth plans. Developing a business plan is a good first step in demonstrating how you plan to grow your business. A well-drafted business plan can be used to support loan applications, equity proposals and also grant applications.

For assistance to grow your business further, contact a BDO accredited growth services partner in your state.

>> *Continued from page 1*

Suppliers are another great source of ideas and innovation. Suppliers know the industry and the value chain well, usually have strong networks, and may be able to assist in financing innovation.

The global business environment is dynamic and a source of many changes and opportunities. Changes in technology, legislation, social attitudes, demographics, etc all create new demands and opportunities. Adapting ideas from one industry to meet the needs of another is a strategy often successfully used by entrepreneurs. Dick Smith's first entrepreneurial venture, Dick Smith Electronics, was an adaptation and improvement on the Radio Shack concept he observed in the USA, incorporating catalogue ideas from Henry Radio in London and business systems from McDonald's. Similarly, 75% of the BRW Fast 100 companies reported they scanned the world for new ideas.

However, the majority of innovating businesses (87.7%) reported sourcing ideas or information internally to develop new products or services or new processes. Innovation, like knowledge, flows through people, and successful businesses take deliberate steps to create an innovative culture. The cheapest way to get more ideas into the innovation pipeline is to ask for them. People are the source of ideas and people act on business concepts. 93% of the BRW Fast 100 companies reported encouraging employees to be creative and innovative - promoting experimentation, supporting a level of risk taking, and some

taking steps such as rewarding employees for ideas that are implemented. Innovation thrives on new knowledge. Giving people the time, support and capacity to acquire new knowledge and then capturing the knowledge and exploiting the intellectual property generated are critical functions for business.

So, how innovative is your business? Use the short checklist below as a starting point.

Innovation checklist

- What do customers most value about your products and services?
- What unmet needs do your customers have that they would be willing to pay for?
- What problems do you see in the industry/market that you could solve?
- Do you keep in touch with what customers think about your products and services?
- Do you scan your environment for good ideas and opportunities?
- Do you actively seek ideas and suggestions from your employees?
- What happens to those ideas and suggestions?
- What is your attitude towards taking risks?
- Do you leverage good working relationships with suppliers and others in your network for innovation?

For more information please contact a BDO Consulting partner in your State.

BDO launches "Fast Movers SA"

In a joint initiative with *in-business magazine* in South Australia, BDO launched the inaugural Fast Movers SA listing of the top 25 fastest growing South Australian companies at a special breakfast on 1 December 2005. Over 300 people from Government, private and public sectors across SA attended, hearing the findings from BDO's survey of owners of 50 of the fastest growing businesses.

In the survey, owners were asked about the reasons for their success, what motivates them and their tips for owners wanting to grow their business.

The top challenges faced were finding and retaining staff (32%), marketing (22%), and cashflow and market conditions (12% each). Investing in staff and training strategies was also a key strategy, with flexible work practices, paying above industry average salaries, issuing bonuses and other perks for good performance, named as strategies.

However, 76% of the Fast Movers recall a particular time when they thought their business would fail. Imagine opening a travel business the week of the Ansett collapse and 9/11! Bad debts, fraud, industrial disputes, workplace accidents, product recalls and even the devastation of a fire were obstacles they faced.

So what advice do SA's Fast Movers have for aspiring businesses? Be passionate, determined and enthusiastic. Develop a good plan at the beginning, employ the best and let them get on with the job without meddling. Hire the next person before you desperately need them and take one step at a time - small incremental growth can produce great results. Finally, never lose sight of your goal and keep telling everyone - including yourself - what it is.

For more information, please contact Tania Cavaiuolo on 08 8224 5255.

The eleven common causes of business decline

Author: Michael Owen, Business Recovery & Insolvency, BDO Kendalls.

The BRW Fast 100 showcased remarkable growth from some outstanding entrepreneurs. However, it is recognised that not all businesses fall into the category of fast tracking to success. For every business that succeeds there is another that fails. Some of the more important lessons learnt from the people behind the BRW Fast 100 successes were as a result of experiencing situations that are common in business decline. What can we learn from these experiences?

Business failure can be avoided if you identify and monitor the warning signs early. However, it is important to distinguish between the causes of decline, as opposed to the symptoms, as this could mean the difference between complete failure and turning your business around.

Symptoms are merely the “tell-tale signs” – they are the danger signals that provide clues to what may be wrong with the business, but they do not provide any guidelines for corrective action.

Indeed some of the mistakes cited by entrepreneurs from the BRW Fast 100 are common symptoms that result from issues that generally cause decline.

Snapshot of symptoms from BRW Fast 100 entrepreneurs:

- Overexpansion could veer out of control.
- Bank foreclosed. I learnt that the balance sheet must be strong.
- Watch out for business predators, including venture capitalists and angels.
- Lost a large chunk of revenue and learnt you must diversify revenue streams and clients.
- Financial stress in the first two years: don't make it so hard.
- Lost money in an overseas business: never get too far from an investment.
- Destroyed relationships with a family member don't do business with family.

- Employing family that caused conflict.
- Contractual disputes: keep perspective focused on positive outcomes.
- Made poor product decisions: it's important to employ specialised staff in specialised areas.
- Losing a key staff member: don't rely on people being focused on future growth when they are focused elsewhere.
- Pursued proposal for 11 months and it didn't come off: make sure you have buy-in from potential customers within a reasonable time or move on.

Clearly identifying the basic causes of the business' problems will provide guidelines for the development of corrective strategies to recover.

So what are the factors to look out for?

There are eleven factors that have been identified as the principal causes of business decline. These are:

1. poor management;
2. inadequate financial control;
3. competition;
4. high cost structure;
5. changes in market demand;
6. adverse movements in commodity prices;
7. lack of marketing effort;
8. big projects;
9. acquisitions;
10. financial policy; and
11. overtrading.

It is necessary to ensure effective timely information is available to business decision makers to enable symptoms of possible decline to be identified. Once symptoms have been identified, the underlying cause may be determined and remedial action commenced to rectify the situation. A problem left untreated could become terminal.

For further information concerning the common causes of business decline, contact your BDO Insolvency and Business Recovery Partner.

Philanthropy and tax

Author: Brian Richards, Tax Consulting, BDO Kendalls

The Federal Government recently introduced legislation providing businesses greater opportunity and flexibility to increase the level of gifting by allowing businesses to establish self-styled trusts to facilitate gifting programs. These trusts are described as a "Prescribed Private Fund" (PPF).

A PPF is a trust to which businesses; families and individuals can make tax-deductible donations. A PPF can only distribute to other deductible gift recipients (DGRs) that have been either endorsed by the Australian Taxation Office (ATO), or are DGRs listed by name in the income tax law.

The use of a PPF allows a business to establish a fund that will grow and provide an opportunity for the business to more readily establish community recognition and makes it easier to contribute to the community effectively.

Administration

Whilst the PPF needs to comply with the ATO's guidelines - its administration requirements, the management, control of the fund and the making of the donations are private matters.

The essential administration matters that must be complied with are:

- the PPF is endorsed by the ATO as an Income Tax Exempt Charity;
- the trust deed complies with the ATO model rules;
- the trustee is an individual(s), a company or an incorporated association;
- one of the trustees or director of a company is a "responsible person".

A responsible person is an individual who:

- a. performs a significant public function;
- b. is a member of a professional body having a code of ethics or rules of conduct;
- c. is officially charged with spiritual functions by a religious institution;
- d. is a listed public company director;
- e. has received formal recognition from government for services to the community; or
- f. a person approved by the ATO, but can not be the founder or a donor, an employee of the Founder, Donor or a Major Donor, or an associate of the Founder, the Trustee or Donor.

- the PPF satisfies a "sole purpose test" i.e., the PPF cannot be used in any manner that may provide a benefit to any entity other than other deductible gift recipients;
- the PPF must be audited and lodge a simple tax return with the ATO; and
- the PPF establishes a capital base and an accumulation plan approved by the ATO. The PPF cannot indefinitely accumulate funds, however, the ATO recognises that in the early stages of the fund, some accumulation might be necessary to grow to the desired capital base.

The use of a PPF allows a business to establish a fund that will grow and provide an opportunity for the business to more readily establish community recognition...

Tax benefits

- The PPF will be a deductible gift recipient and accordingly donations to it are tax deductible, albeit cash or property.
- If property is gifted, the gift amount will be:
 - a. If the property was purchased within 12 months of gifting, the lower of the amount paid for the property or its market value; or
 - b. If the property was not purchased within 12 months before gifting and the property is valued by the Commissioner at more than \$5000, the gift amount will be the value as determined by ATO in accordance with the Australian Valuation Office.
- Income and capital gains of the fund are exempt from tax.
- Imputation credits are refundable (in most instances).

For further information on prescribed private funds, please contact your BDO Tax Consulting Partner.



Growing curiosity, Your question & answer session with BDO

Author: Rob Dowling, Business Assurance Services, BDO

Question

Our family business is owned and managed equally by myself, my elder sister and my younger brother. We employ approximately 50 staff, but no other family members. Some of our children are beginning to show an interest in joining the business but I am unsure how to manage this process.

Answer

The employment, or non-employment, of family can cause considerable stress and tension amongst family members. The overriding principle is that in today's business environment, all businesses must maintain appropriate staffing and cannot afford to carry non-performers, regardless of personal relationships. Most successful family businesses have a Family Constitution which includes rules on the employment of family members. A Family Constitution is not a legal document but is used to provide guidance to all family members including the owners, the managers and family members who wish to join the business.

The Family Constitution may require all family members to work outside the family business before joining the family business. This assists the family business from becoming inward looking and provides exposure to alternative business practices. All staff should be employed on

merit; a job in the family business is not a job for life. The appraisal system that applies to your employees should also apply to family members in a consistent manner - family members can be sacked for poor performance. Non-family members should not be excluded from senior managerial positions.

Another important issue is the remuneration of family members. Family businesses should pay market salaries to all employees and do not confuse the salary with the return based on ownership. The failure to properly deal with family members may create problems with non-family employees. A company of your size must employ non-family members who need to be dealt with fairly and equitably.

Family members must be prepared to work harder to prove themselves. Authority comes from the respect you have earned, not from your family ties.

Is Australia really a poor performer?

*Author: Tracey Murray,
Tax Consulting,
BDO Kendalls*

While statistics recently gathered by the Australian Bureau of Statistics (ABS) indicate Research & Development (R&D) expenditure in Australia has increased for the fifth consecutive year, a report from the OECD tells another story.

While the ABS data appears to show an increase in R&D expenditure in Australia by 76.5% over the past five years, the 2003/2004 OECD report on Business Expenditure on R&D (BERD) to Gross Domestic Product (GDP) ratio—BERD/GDP—shows Australia as ranked 18th.

With a BERD/GDP ratio of 0.89%, Australia's expenditure may be well ahead of many developed countries but remains significantly less than many of our key trading partners including Japan, Korea and the US, whose ratio is at least double ours.

So why is Australia's R&D spend so low?

Recently, a number of commentators have pointed to a reduction in the level of tax concession received by Australian companies for carrying out R&D, from 150% to 125%, for the country's low ranking.

The more likely reasons are more complex than straight statistics and the reduction in available tax deductions.

Currently the ABS statistics are based on figures collated by AusIndustry relating to companies that have claimed the R&D tax concession. To put this in context, only 4% of Australian manufacturers have lodged R&D claims.

What the figure of 4% lodgements doesn't show is that the other 96% of manufacturing companies who, while

they may be carrying out some form of R&D, may not be claiming the tax concession through AusIndustry. There are a number of reasons why companies do not lodge R&D tax concession claims with AusIndustry. These include:

- 1. limited resources**—for many companies, lodging an R&D tax concession is a cost/benefit evaluation, lacking the resources to dedicate to the administration of a claim;
- 2. subjectivity of the concession**—with many of the concepts within the R&D tax concession subjective and open to interpretation, many potential claimants consciously choose not to make an R&D tax concession claim and as a result the information is never captured by the ABS;
- 3. tax position**—if the company is making a loss where is the value? and
- 4. ineligibility**—ie Trusts.

Based on the above factors, there are a number of companies carrying out R&D on a daily basis who are not recognised in the statistics gathered by the ABS. So while the reduction of the R&D tax concession from 150% to 125% has no doubt resulted in fewer businesses claiming the concession, it probably had little impact on the number of Australian businesses actually undertaking R&D on a daily basis.

If the ABS is going to continue producing statistics based on figures gathered by AusIndustry, they need to acknowledge this as being either their only source of information or alternatively as one of their sources should they begin to look beyond AusIndustry when collating data on R&D expenditure.

If the government's aim is to increase Australia's BERD/GDP ranking amongst OECD countries, it needs to increase the number of companies claiming the R&D tax concession, to produce more accurate statistics of the country's current level of R&D expenditure.

So, what can the government do to increase the number of Australian businesses claiming the R&D tax concession and produce a statistic that more accurately reflects Australia's dedication to R&D? Perhaps one solution is to streamline the tax concession claim process and educate Australian businesses as to what constitutes 'Tax R&D'.

It is essential that Australia is recognised for its entrepreneurial approach to business rather than berated for its lack of focus on R&D. To this end, businesses need to evaluate yearly whether they are eligible to claim the R&D tax concession. The concession is eligibility based (eg. non-competitive) and is one of the most effective ways of maximising a company's investment in innovation. If businesses are unsure whether certain activities or projects are eligible for the R&D tax concession, contact either your local BDO adviser or your local AusIndustry Tax Concession office.

For further information on the R&D tax concession, please contact your BDO Tax Consulting Partner.



Photo courtesy of Hockey Australia

Women's Champions Trophy Hockey

As Global Partner of the International Hockey Federation, BDO was in attendance at the 2005 Champions Trophy Tournament, held in Canberra in December 2005.

Featuring the top six ranked hockey nations, the tournament drew great support from Canberra locals and an impressive television audience through coverage on the ABC.

BDO was pleased to sponsor the official tournament dinner held at Old Parliament House, as well as the BDO Highest Goal Scorer Award, which was shared by Argentina's Soledad Garcia and Sylvia Karres from Netherlands.

The Hockeyroos were expected to put in a good showing but weren't viewed as too serious a threat to favourites Argentina and Netherlands. Showing great form and some outstanding defence, the Aussie girls finished the round robin matches as the only undefeated team.

The decider was a closely fought contest, entering extra time followed by a penalty shootout, but unfortunately for the locals, the Dutch girls edged ahead during sudden death to take the tournament title.

Our girls had to settle for silver this time around but, on current form, look the team to beat at the Commonwealth Games in Melbourne.

Chinese accountants learn from Australian experts

BDO recently hosted a visit by fifteen high-level government and senior business accountants from China's Institute of Certified Public Accountants (CICPA).

The visit incorporated a tour, morning tea and panel discussion with three senior BDO partners, raising interesting topics of discussion, including how Australian auditors would handle a bribery attempt from their clients and the process a company would follow if they wished to terminate an uncooperative auditor.

The delegates were in Australia to learn from local accounting experts whom the Chinese consider as some of the best in the business. CPA Australia organised the itinerary so delegates could balance time in theoretical training sessions with exploring the practical components of Australia's accounting industry.

In addition to delving into technical issues, the delegation was interested to learn about BDO's Australian business and accounting practice structures, risk and liability management, revenue and profit sharing arrangements,

managing independence including the possibility of unintentional technical breaches as well as the advantages and disadvantages of being part of an international network of firms.

In his opening remarks to the BDO discussions, the Head of the Delegation, Mr Cai Xiaofeng, Deputy Director of Administrative Office, CICPA, said through his interpreter "the CPA profession has a relatively short history in China and we need to learn from our more experienced and longer established international counterparts."

Mr Cai said that BDO had captured the attention of many in the industry with its significant progress in building its network in China. He said BDO's strategy of recruiting local firms into the network, establishing international peer review processes and providing them with international support, instead of setting up business in direct competition with local firms, was an inclusive approach that illustrated an understanding of local cultural needs.

BDO already has five offices in China and many of the delegates were known to BDO Partners in China.



New appointments

Meet our newest partners

The following were recently appointed as partners of the firm:



Michael Gastevich, Partner, Perth

Michael has over 10 years experience in taxation consulting in Melbourne and Perth. He has extensive experience in advising large national and multinational clients in entering consolidation, exiting consolidation, and preparing consolidated income tax returns. He has also been involved with the preparation of various consolidation submissions to Government and the Australian Taxation

Office (ATO), and has recently worked with the ATO in progressing various consolidation compliance issues. Michael has also assisted national and multinational clients in relation to large-scale audits and reviews performed by the ATO.



Lisa Bundesen, Partner, Brisbane

Lisa has over 17 years' investigation and forensic accounting experience including four and a half years as an Investigative Accountant with the Major Fraud Investigation Group within the Queensland Police Service and five years investigating the collapse of corporations in the Insolvency division of a 'Big Four' accounting firm. During her time with the Queensland Police Service, Lisa was

involved in the investigation of many large frauds, arsons, drug trafficking, and proceeds of crime matters. Lisa worked in multi-disciplinary teams investigating complex multi-million dollar fraud matters. Many of these investigations included cross-jurisdictional inquiries and the collection of evidence from varied sources.



Tom Fazio, Partner, Melbourne

Tom is a Partner in BDO's Risk Assurance Services, specialising in internal audit, risk management and process improvement with over 15 years experience. Tom is qualified accountant and holds a Masters of Information Technology. He has specialist skills in the areas of internal control and risk management practices. Tom has recently joined BDO and previously managed the fully outsourced internal audit services

for various public sector entities including various large Victorian Government Departments, Museum Victoria, Australia Post and North East Water and numerous public hospitals. Tom has also assisted the Victorian WorkCover Authority, Department of Human Services, Department of Premier and Cabinet, and the Department of Treasury and Finance implement significant and complex process improvement initiatives, involving IT implementations. Tom also previously assisted the Municipal Association of Victoria design and develop its local government Extranet site – LGNet and its financial accounting system.

For more information:

New South Wales
Sydney
Telephone 02 9286 5555
bdosyd@bdosyd.com.au

Liability is limited by a scheme approved under Professional Standards Legislation

Northern Territory
Darwin
Telephone 08 8981 7066
bdo.dar@bdo.net.au

Queensland
Brisbane
Telephone 07 3237 5999
enquiries@bdokendalls.com.au

South Australia
Adelaide
Telephone 08 8223 1066
enquiries@bdosa.com.au

Victoria
Melbourne
Telephone 03 9615 8500
bdo@bdomel.com.au

Western Australia
Perth
Telephone 08 9360 4200
bdo@bdowa.com.au

Disclaimer

This publication is issued exclusively for the general information of clients and staff of BDO. The contents are not a substitute for specific advice and should not be relied upon as such. Accordingly, whilst every care has been taken in the presentation of the publication, no responsibility is accepted for persons acting on this information.

BDO is a national association of separate partnerships and entities.

©BDO Chartered Accountants & Advisers. Not to be reproduced without permission.

We believe this information will be of interest to you. Should you not wish to receive information of this type from BDO, please contact your local BDO Adviser on 1300 138 991.

www.bdo.com.au



Chartered Accountants
& Advisers