

## JUNE 2010 UPDATE ISSUE 13 CONTENTS

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### Our Services

We are an accounting, taxation, business advisory and financial services firm.

We develop and implement growth strategies for our clients by adopting a holistic view of their business and by bringing together our expertise and timely advice in the complex fields of:

- Accounting
- Taxation
- Business Advisory
- Finance
- Self Managed Super Funds

We also offer complete business solutions in other areas such as audit, insurance, wealth management, investment and risk advice by linking closely with independent industry experts who we know and trust.



# UPDATE

## ON TOP OF THE WORLD!

**IN A RECENT STUDY ON THE ISSUES RELATING TO SMALL TO MEDIUM SIZE ENTERPRISES (SMEs) CONDUCTED BY THE PRESTIGIOUS, PROFESSIONAL ACCOUNTING BODY, CPA AUSTRALIA AND ITS EQUIVALENT CANADIAN COUNTERPART, CGA - CANADA, A NUMBER OF FINDINGS WERE MADE.**

The highlights were:

### **SMEs play a vital role in the economy**

SMEs are an integral part of national economies of both Australia and Canada. They contribute significantly to economic growth, national development, innovation and employment.

### **SMEs are continuing to grow**

Despite the global financial crisis, Australian and Canadian SME owners and managers generally have a 'qualified' optimism about the future. The term 'qualified' is used in the context of, for example, planned employment, growth and investments and would more closely correspond with levels of business confidence than what is being reflected in research. Most SME owners and managers express the expectation that future growth prospects, along with dependable sources of funding, will return to 2007 levels within a few years.

### **SMEs need access to funding**

While the global financial crisis still hangs over the world, a credit crunch remains.

SMEs in Australia and Canada, as elsewhere, are often challenged when it comes to identifying and accessing funding sources. During the global financial crisis, the access to these funding sources became even more difficult as lenders and investors tightened conditions in response to the prevailing economic conditions. Evidence suggests that tighter lending/investment conditions will prevail for some time.

### **SMEs need a simpler tax system**

More action is needed to address complex, cumbersome and labour-intensive tax provisions. The red tape is both difficult to decipher and costly to SMEs. CPA Australia and CGA - Canada have long been advocates of a reformed tax system based on simplicity, transparency, fairness and international competitiveness.

### **SMEs need professional guidance**

Accountants can act as a valuable resource to SMEs in assisting them run and develop their business, including guiding SMEs through

the process of seeking funding to finance their growth.

### **SMEs need to improve basic management practices**

Research reveals there is scope for governments, industry associations and accountants to assist SMEs improve how they manage their business, including their financial management practices.

### **SMEs need to plan for the recovery**

Businesses must plan for the recovery by considering what investments ought to be made and how these will be financed.

### **SMEs need to exploit new opportunities**

SMEs in a strong financial position should consider opportunities to expand by acquiring competitors, making capital investment and venturing into new markets.

If you would like advice on any aspect of these findings please contact your accountant at McCormack Reynolds. We are well placed to advise you on business matters and issues relating to funding your business.

**CPA Australia / CGA - Canada  
Melbourne / Ottawa Forum on  
Small to Medium Size Enterprise  
(SME) Issues, May 2010.**

# McCormack Reynolds

accountants & business advisors

WITH YOU EVERY STEP OF THE WAY

## JUNE 2010 UPDATE ISSUE 13

### Thank You

We are pleased that many of our valued clients are referring friends and colleagues to us.

Please accept our sincere thanks.

It is good to know that you recognise the effort we make to deliver service beyond your expectations. If we can be of help to any of your friends or business associates we would be very pleased.

## MONEY FOR JAM

### SUPER CO-CONTRIBUTIONS AND SUPER-ANNUATION CONTRIBUTIONS

#### Super Co-Contributions

The super co-contribution is a government initiative to encourage superannuation savings by individuals.

If you make an eligible personal superannuation contribution, the government will contribute up to \$1,000 into your superannuation fund provided you meet the prescribed eligibility criteria. Eligible personal superannuation contributions include non-concessional contributions (that is, non-deductible or after tax). They do not include any contributions that you or someone else has claimed a tax deduction for, and also, do not include any contributions that your spouse or another person has made on your behalf.

From 1 July 2009 the government will contribute \$1 for every \$1 you contribute into a complying superannuation fund or retirement savings account up to \$1,000, when your income for that same year is between \$31,930 and \$61,920. The \$1,000 co-contribution will be reduced by 3.333 cents for every dollar that your total income (less business deductions) is over \$31,930. If you make eligible contributions of \$1,000, your co-contribution from 1 July 2009 will be as follows (see Table 1: Super Co-contributions).

Table 1: Super Co-contributions

Total Income	Co-Contribution	Total Income	Co-Contribution	Total Income	Co-Contribution
\$ 31,930	\$ 1,000.00	\$ 43,930	\$ 600.00	\$ 55,930	\$ 200.00
\$ 34,930	\$ 900.00	\$ 46,930	\$ 500.00	\$ 58,930	\$ 100.00
\$ 37,930	\$ 800.00	\$ 49,930	\$ 400.00	\$ 61,920	\$ 0.00
\$ 40,930	\$ 700.00	\$ 52,930	\$ 300.00		

Table 2: Superannuation Contributions

Member Age	Concessional Contribution		Non-Concessional Contribution
	Under 50	Between 50-75*	Under 75
2008/2009	\$50,000	\$100,000	\$150,000
2009/2010	\$25,000	\$ 50,000	\$150,000
2010/2011	\$25,000	\$ 50,000	\$150,000

Eligibility for the government super co-contribution requires that you meet all the following criteria:

- Contribute a personal superannuation contribution by 30 June into a complying super fund or retirement savings account and no deduction is claimed
- Have total income less any business deductions below \$61,920
- 10% or more of your total income is from employment and/or carrying on a business
- Less than 71 years old at 30 June in the year of the contribution
- Lodge an income tax return for the applicable year
- Did not hold a temporary resident visa during the year (except NZ residents or prescribed visa holders).

#### Superannuation Contributions

Strategies to maximise contributions into your superannuation fund are extremely important for retirement planning, and observing the contribution caps is vital to avoid excess contributions tax.

Tax planning opportunities are available when you are eligible to make personal concessional (deductible) contributions or concessional contributions from your business.

Contribution caps refer to the total amount contributed into your superannuation account or accounts in a particular year. Please note that they are annual caps per member, not per fund or account (see Table 2: Superannuation Contributions).

Contributions can no longer be made after an individual turns 75, unless mandated by an employment award.



\* The \$50,000 concessional contribution cap for individuals between 50 and 75 will be reduced to \$25,000 from 1 July 2012 (see Table 2). However, it was announced in the May 2010 budget that from this date individuals with balances under \$500,000 will be allowed to continue to contribute \$50,000 per year.

Eligible individuals, who are less than 65 years of age, can contribute up to \$450,000 of non-concessional (non-deductible or after tax) contributions into a complying superannuation fund or retirement savings account. This can be done by bringing forward your cap of three years into one year.

It is imperative that your current contribution strategies are reviewed to ensure that neither the concessional nor non-concessional contribution caps are exceeded. The contributions tax payable can in some cases amount to 93% of the excess contribution. If you contribute too much into super, there are strict rules surrounding the withdrawal of an excess contribution. Although the commissioner announced in the May 2010 budget that their discretion will be used in assessing individuals who have exceeded the contribution caps inadvertently, excess contributions tax could still be payable.

Superannuation professional bodies are appealing to the government to have the excess contribution rules changed to allow individuals to save greater amounts for their retirement without the risk of being penalised for doing so.

Contact your accountant at McCormack Reynolds to discuss your personal situation regarding your ability to make superannuation contributions, eligibility for the co-contribution or any other superannuation matters.

# CLIENT PROFILE



## Interview with Ben Johnston, co-owner of bistro Dom

I had the pleasure of interviewing Ben Johnston a few days after the well known food critic, Ann Oliver, had given a detailed and highly favourable critique of bistro Dom. Her article tells the story that Ben and his Czechoslovakian born wife and business partner, Dominika, as well as their gifted chef Andrew Davies, have really got it right when it comes to a food experience.

*"It (bistro Dom) is value for money, with generous proportions and intelligent cooking that delivers individual flavours and textures with no nasty surprises... The bistro is just entering its third year and, with the talented Andrew Davies bringing classical skills to the food, it has settled nicely with a loyal and regular clientele who love the food, the concept and the wine... As for me I can't wait to go back..."*

**A main feature of their success to this point in time has been growth. How have they achieved it?**

Despite the positive and reassuring comments from an important and respected food expert, Ben describes getting to this stage of their business life cycle as a steep and constant learning curve – and it still continues in different ways .

Dominika and I opened three businesses in five years, and all from scratch. We originally set up the Duthy Street Deli in Unley before establishing The Queen Street Café in Croydon.

Three years ago we created our own Australian interpretation of what we believe is an authentic French bistro in Waymouth Street – bistro Dom.

Dominika and I have a unique and very personal approach to our business.

There is no contrived or clinical approach as part of our business philosophy. Our vision is somewhat "unplanned" but consistent and comprising a great deal of positive energy and pride in what we do.

We have a strong self belief and conviction in our own style, knowing what we want to create and knowing where we want to go.

**What have been the keys to your success in business, at this stage?**

Our passion for what we have created and achieved so far is based on a number of not negotiable performance criteria.

First and foremost is our uncompromising pursuit of quality.

Secondly, and closely related, we strive for consistency of the product, the service and the overall food experience. We invest a lot of time and effort in especially maintaining the consistency of the product.

Thirdly, it is critical to create a very welcoming, comfortable and unpretentious environment. The end result is that Dominika and I, our chef Andrew, and our entire team exist for people who like and appreciate good food in a bistro environment described by Ann Oliver as a place, "...where you always feel comfortable; you often go there to eat and drink because the food is reliably tasty and satisfying, the wines are good, the price is right, the staff remember your name and the patron welcomes you as a friend."

**What was the effect of the GFC on your business?**

Bistro Dom had a difficult beginning but The Queen Street Café kept us alive. During the GFC people changed their dining routines and instead of coming in for a meal many people came in for just a coffee. Being in the city we had a strong corporate patronage which was damaged because businesses were not spending money.

We knew, however, that our vision, knowledge, experience and self belief was right and would get us through. Persistence is everything and we continued to do our very best during these difficult times. We backed ourselves and each other. It has taken three years for people to recognise what we offer which is, unashamedly, different to most and we believe is a superior product and experience.



**What has changed over the years in terms how you run your business? What have you learned?**

From my experience over the last eight years, and dare I say beyond that time, I have realised that every part of the business is a direct result of our engagement with the client, our management style, business philosophy and our relationship with our team.

We have managed to select the right staff. Andrew Davies does a fantastic job as our chef and has worked in some top kitchens in Melbourne and London. We allow our team the time to flourish and support them very closely by constantly demonstrating in an active way the standards of excellence that we require. Our team are selected for their talent and skills and we try to nurture that talent and give them many reasons to stay. We manage a very personal business and all our team understand what is required, however, the ultimate responsibility is mine as the business owner.

**How have Matt Carlaw and McCormack Reynolds assisted you as accountants, as business advisors, as finance advocates especially in light of the growth of your business? What has been the value for you in this relationship?**

I very much enjoy the relationship with McCormack Reynolds as they are informative and personable. As a small business owner I appreciate that they bring knowledge that I need.

Matt Carlaw is always accessible and when I ring up I always get an insightful and intelligent answer to my questions, which is very reassuring.

The other major benefit is that I enjoy the fact that McCormack Reynolds is a one stop shop for my accounting, bookkeeping, business advice and finance needs.

All my information is there and I don't have to run around chasing up other advisors.

**How do you see your business, and business in general, change over the next five years?**

A lot depends on whether we can stop young talented people from leaving Adelaide and even getting those that live interstate and overseas to return.

Adelaide needs to take a few risks and make a statement about becoming more dynamic, exciting and supporting young people to get into business. The passion and desire must be there with a vision that reflects their personal expression which ultimately leads to a personality that reflects the uniqueness of their business.

There are no short cuts. No easy road to success. The amount of effort you put in is what you get out of it.

**Opening Hours:**  
Monday - Friday:  
7:00 am - 4:30 pm  
Wednesday - Friday:  
from 6:00 pm  
Saturday: from 6:00 pm

**24 Waymouth Street  
Adelaide, SA 5000  
Telephone: 08 8231 7000  
Facsimile: 08 8231 8100  
www.bistrodom.com.au**

**Photo top left:** Dominika and Ben Johnston.

**Photo above:** Invited guests at the opening of a recent art exhibition.

# CLIENT NEWS

## McCormack Reynolds

accountants & business advisors

55 Jerningham Street  
North Adelaide  
South Australia 5006  
PO Box 596  
North Adelaide SA 5006  
Telephone  
08 8161 1000  
Facsimile  
08 8267 1801

info@mccormackreynolds.com.au  
www.mccormackreynolds.com.au

Tim McCormack BEc FCPA  
Ben Reynolds BCom LLB CA

ABN 58 104 743 982

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The McCormack Reynolds Update Newsletter is published to provide information of general interest to their clients. The content of this newsletter does not constitute specific advice.

Please contact your accountant at McCormack Reynolds for advice on specific matters.

## GRAHAM MANOU FOUNDATION TOUR DE HEART

The celebrated cricketer **Graham Manou**, has recently announced the formation of the **Graham Manou Foundation** – an organisation that will raise funds and awareness for the treatment, support and opportunities for children with heart conditions.

The Graham Manou Foundation was formed with the help and ongoing assistance of McCormack Reynolds and Donaldson Walsh Lawyers.

Graham's cricket CV has many highlights including playing Test cricket for Australia, One Day International cricketer, South Australian captain and currently their wicketkeeper.

For Graham, the Foundation is the realisation of a lifelong dream to help children who have serious heart conditions and expands on his 2007 and 2008 Tour de Heart bike rides that raised much-needed funds for children with heart conditions and their families.

*"The Foundation is a project I have been working toward for a long time and I'm thrilled to see it become a reality,"* he said.



## PEOPLE POWER

Norwood footballer and McCormack Reynolds budding accountant, **Nick Lower**, is having an excellent season in the local SANFL. Norwood born and bred, Nick was originally drafted to Port Adelaide (Power) in 2005 and played 20 AFL games. Nick posed with body art as part of the SANFL "Your Tribe is Calling" promotion (at right).

We interviewed celebrated international artist **James Cochran** in the October 2009 Update. If you are in Melbourne over the next few weeks you may want to see his exhibition of new paintings at the Lindberg Galleries (see details far right).

*"The Foundation's directors and I have developed a two-year strategic plan and have identified key goals we will aim to achieve over the next 24 months. The fulfillment of these goals, I hope, will make a significant difference to the lives of number of South Australian children with serious heart conditions."*

*"Having lived my life with a hole in my heart, I am not only committed to helping children with similar and other heart conditions but I want to show them that they too can realise their dreams."*

Graham and four mates have recently completed their cross-Nullarbor challenge when they rode from the WACA Ground in Perth to the Adelaide Oval – a staggering 2,700 kilometres. Graham chose children's charity HeartKids SA as the beneficiary of the funds raised from this trip.

You can read more about Graham's ride on [http://tourdeheart.com.au/index.php?option=com\\_frontpage&Itemid=1](http://tourdeheart.com.au/index.php?option=com_frontpage&Itemid=1)

If you wish to donate for this very worthy cause of HeartKids SA please go to [http://tourdeheart.com.au/index.php?option=com\\_content&task=view&id=58&Itemid=53](http://tourdeheart.com.au/index.php?option=com_content&task=view&id=58&Itemid=53)

**Photo below left:**  
Graham Manou in action for the SACA Redbacks.

**Photo at right:**  
Duncan Chessell on the summit of Mount Everest.

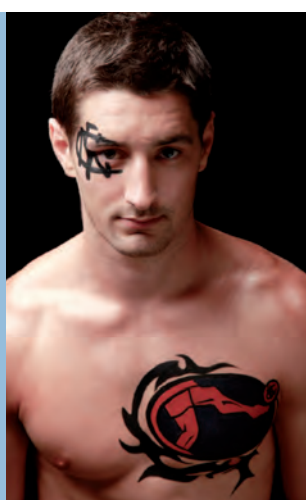
**Photo below:**  
Duncan Chessell at the Mount Everest Base Camp after completing his 1,600 kilometres bike ride from Calcutta (Kolkata), in India.

## DUNCAN ON TOP OF THE WORLD ...AGAIN

On behalf of the team at McCormack Reynolds, our very special congratulations go to **Duncan Chessell** who has climbed Mt Everest for the third time.

Duncan led a large expedition team which resulted in eight climbers reaching the summit of Mt Everest, a truly remarkable achievement. Duncan completed the trip 'Sea to Summit'. He began his trip from near Calcutta on the Indian Ocean and cycled all the way to Mt Everest Base Camp in Tibet; a total of 1600 km!

Many thanks to Jo Arnold, Duncan's wife and business partner, for the extraordinary photos. For further info, please go to [www.chesselladventures.com](http://www.chesselladventures.com)



## JAMES COCHRAN

New Paintings

June 10 - July 3, 2010

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Level 2/289 Flinders Lane, Melbourne  
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