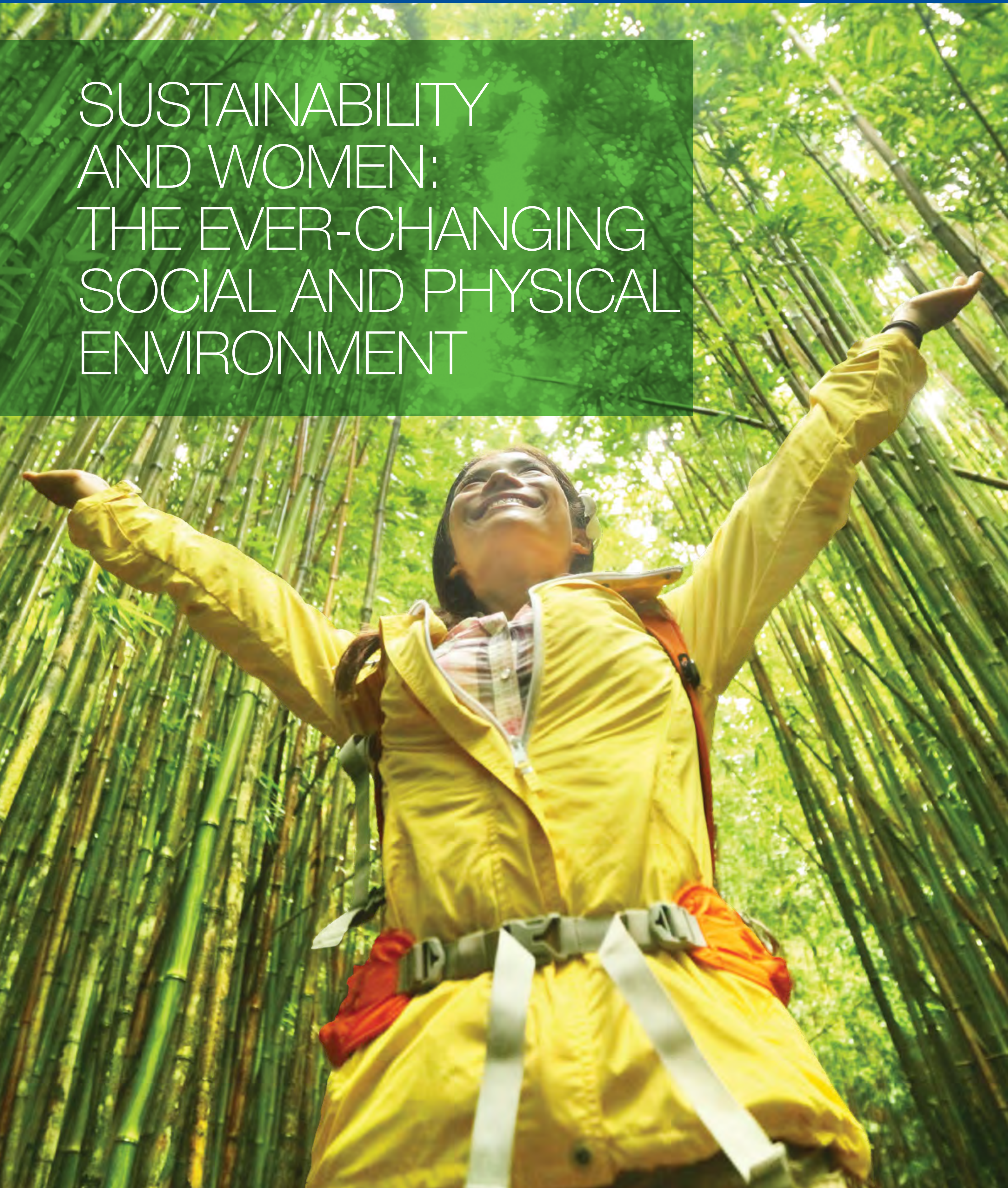
PULSE

AUTUMN

PKF

21

A QUARTERLY PUBLICATION OUTLINING RELEVANT BUSINESS ISSUES FOR YOU



SUSTAINABILITY AND WOMEN: THE EVER-CHANGING SOCIAL AND PHYSICAL ENVIRONMENT

Welcome

IN THE AUTUMN 21 ISSUE

"In this edition of Pulse, the focus on sustainability spans across many definitions, whether this be environmental, within a business or as an investment growth strategy."

We are well into 2021 and it feels like we have an exciting year ahead. From new revelations about overseas travel to a hopeful vaccine, we are lucky to live in a country with such strong platforms for care and resilience. This year brings new opportunity for businesses as we edge towards a new form of 'normal', recognising how important the digital world is in connecting us all.

As the world evolves, the innovation of sustainable practices in all forms means that we can adapt, become more efficient and have a positive impact on the world around us.

Focusing on wellbeing, leadership, and tax planning in our last edition of Pulse, sustainability is the theme of our Autumn edition as our team centred their thoughts around sustainable practices within business that can be transferred into everyday life.

In this edition of Pulse, the focus on sustainability spans across many definitions, whether this be environmental, within a business or as an investment growth strategy. Our business advisory team discuss the use of paper within business and how everyone can do their part in reducing waste. Online platforms such as DocuSign and HelloSign are allowing for real time review and signing of documents by our clients, saving vital environmental resources from being exploited.

The everchanging technological environment has allowed the software industry to thrive through innovation, most notably in the times of COVID-19. Corporate Finance Executive Director, Vikas Nahar, evaluates the important factors that a software company needs to consider when looking to raise capital or if an owner is looking to exit the business.

An ethical focus from investors is seeing an increase in businesses investing in renewables and ethically focused companies, highlighted by our Super team, who also outline the significance of SMSF's in having a diversified investment strategy in response to these changes.

Andrew Russell, an adviser within our Wealth team, examines risk profiles and how these determine whether an investor decides to individually pick their stocks or if assets are allocated based on their financial goals, time horizons and their own personal risk tolerance.

Tax client, Sunny Ridge Farms makes an appearance, as this editions client profile specifically looks at how they utilise sustainable farming methods in producing their product.

Laura Mackowiak

Callum Wade

2020 was a big year for all. A big shout out to our team who went above and beyond to ensure clients were supported as we all faced and moved through times that most of us have not seen. Any business is only as good as its people and I am so proud of and privileged to lead the team we have across Sydney and Newcastle – well done team. A special congratulations to Callum Wade and Laura Mackowiak who were both our Employee of the Quarter. Callum is a member of our business advisory business offering and Laura is a part of our audit team. They are both valuable members of their team and always deliver to an exceptional standard.

As we look to the year ahead, may it be a safe and prosperous one for all.

Kind regards.

Steve

Steve Meyn

Managing Director

"It is no longer acceptable for a company to be purely driven by profits. Fund managers are experiencing strong inflows into their ethically focused products and traditional blue-chip companies are now branching out into renewables following pressure from shareholders to do more around environmental sustainability."

Daniel Clements Principal

The Shift To Environmental, Social And Governance (ESG) Investing

Environmental, social and governance (ESG) considerations are becoming increasingly important to Self Managed Superannuation Fund (SMSF) trustees for their long-term benefits to a portfolio. ESG Investing is a term that is often used in the same manner as sustainable investing, socially responsible investing, mission-related investing, or screening and is quickly becoming part of the mainstream.

ESG in the investment context, are core issues which have the potential to impact upon a company's financial performance or reputation. Different from solely ethical or sustainable investments, ESGs are a holistic measure for companies and deal with issues which are typically excluded from traditional investment analysis.

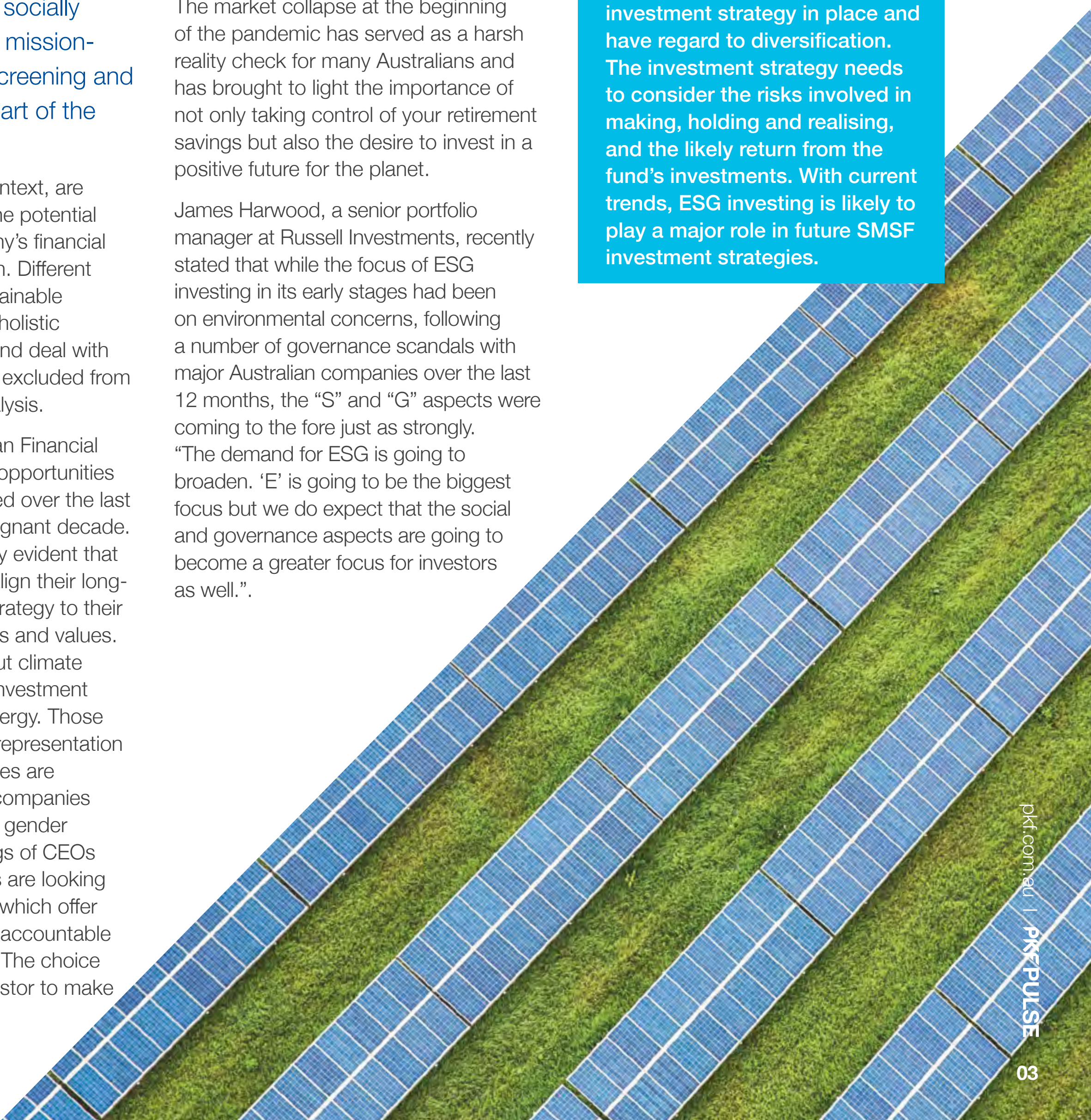
According to the Australian Financial Review, ESG investment opportunities have significantly increased over the last two years after a fairly stagnant decade. It is becoming increasingly evident that investors are seeking to align their long-term SMSF investment strategy to their underlying personal beliefs and values. Investors concerned about climate change are turning their investment attention to renewable energy. Those worried about the under-representation of women in executive roles are placing greater value on companies that actively participate in gender diversity. If the big earnings of CEOs doesn't sit right, investors are looking to invest in organisations which offer full transparency, fair and accountable executive compensation. The choice is in the hands of the investor to make decisions and investments which they are more comfortable with. In the long term, the potential, the risks, and the alignment are with their values.

The tragedy caused by the COVID pandemic has been another significant driver for the rising awareness of global sustainability among investors and the desire of investors to take control of their superannuation investments and have them aligned with their personal beliefs. The market collapse at the beginning of the pandemic has served as a harsh reality check for many Australians and has brought to light the importance of not only taking control of your retirement savings but also the desire to invest in a positive future for the planet.

James Harwood, a senior portfolio manager at Russell Investments, recently stated that while the focus of ESG investing in its early stages had been on environmental concerns, following a number of governance scandals with major Australian companies over the last 12 months, the "S" and "G" aspects were coming to the fore just as strongly. "The demand for ESG is going to broaden. 'E' is going to be the biggest focus but we do expect that the social and governance aspects are going to become a greater focus for investors as well.".

It is no longer acceptable for a company to be purely driven by profits. Fund managers are experiencing strong inflows into their ethically focused products and traditional blue-chip companies are now branching out into renewables following pressure from shareholders to do more around environmental sustainability.

In line with ATO requirements, SMSFs should have an investment strategy in place and have regard to diversification. The investment strategy needs to consider the risks involved in making, holding and realising, and the likely return from the fund's investments. With current trends, ESG investing is likely to play a major role in future SMSF investment strategies.



"Making the changes necessary to facilitate a sustainable future can seem like an overwhelming challenge, but we must all recognise that embracing simple changes that are within our control will not only improve business practices, but also contribute to a more stable future."

SYDNEY BUSINESS ADVISORY Team Coordinator Heather Rawding

Do We Really Need To Use So Much Paper?

Discussion around sustainability has been very much on the increase, but what does it mean?

Sustainability is:

Meeting the needs of the present without compromising the ability of future generations to meet their own needs.

Simple, right? When issues are framed with such lofty goals as a desirable future for all humanity, it is easy to become overwhelmed by the enormity of the challenge and lose sight of what can be done, whether on a personal or business level. There are many issues and areas to choose from, but a prominent example is reduction of paper use across business.

In 2018 – 2019, Australia consumed 30,095,000 tonnes of paper and paperboard products (IndustryEdge, 2019). The majority of this comes from our own native forests, which are managed by State Governments to be sustainable. However, with natural phenomena such as bush fires and droughts on the rise, it will become increasingly difficult to manage these forests into the future. This is without taking into account the many important ecosystem functions intact forests provide for the benefit all of society, such as:

- Water filtration and storage
- Regional climate regulation
- Habitat for wildlife
- Soil stabilisation
- And many others

Yet our modern society depends on robust economic activity and much of that activity, especially in the corporate world, involves some level of paper consumption. So how can we continue to run businesses efficiently while putting less pressure on our precious forests? Some suggestions include:

- Print less - This can be difficult when we have become accustomed to certain ways of working, especially when comparing or checking information. However, technology offers many alternatives - so many of us work with at least two computer monitors these days, meaning such tasks can remain entirely digital.
- Use your phone or tablet to take notes while in meetings or seminars instead of a paper notepad. The note-taking functions on devices often allow for basic formatting such as highlighting and underlining, and for many they are easier to read later!
- For those who really do not enjoy typing, many devices allow use of a stylus, so notes can still be written.
- And, if a document really must be printed, change the settings to print double-sided and only half as much paper will be used.

Such transitions take some getting used to, but typing is much faster and neater than handwriting and we are all much less likely to forget our phone than a notepad, meaning one less thing to remember.

To show our commitment to waste reduction, our Sydney & Newcastle business advisory services teams, changed the way we send out nearly all our client documents when we started using DocuSign & HelloSign in 2017, web-based applications that allow electronic reviewing and signing of documents. It not only allows us to send out documents instantly but also gives clients the flexibility to review and sign things anywhere there is an internet connection.

DocuSign provides estimates for the resources saved by using their platform, they derive these figures using a variety of factors, including number of documents sent and number of recipients, they also factor in the different aspects of paper production and supply. Since making this change, our division has **saved approximately 4,317 kg of wood, 106,078 litres of water, 10,133kg of carbon and 702kg of solid waste.** This is a simple illustration of the impact reduction of paper consumption can have - it is not just the forest ecosystems which will remain intact, it is the water not used, the carbon not released and the landfill not utilised.

When considering these wider impacts, it becomes easier to appreciate how one objective, no matter how narrow, can have impacts and benefits beyond what are immediately obvious. Each of the suggestions mentioned above involve simple technological solutions that are easily adopted and help businesses work more efficiently. Making the changes necessary to facilitate a sustainable future can seem like an overwhelming challenge, but we must all recognise that embracing simple changes that are within our control will not only improve business practices, but also contribute to a more stable future.

"If you intend to speculate on volatile securities such as crypto currencies and tech stocks and expect to get rich quick, take the success stories you see in your newsfeed with a grain of salt."

Andrew Russell Financial Adviser PKF WEALTH

Stock Picking VS Asset Allocation

It is often thought that one of the main roles of financial advisers is that they are stock picking gurus, that will help clients select a few shares, with great foresight, and these shares go to return handsome gains to clients. The reality is very different. Single stock selection makes up little, if any of an adviser's role in helping a client construct their portfolio. The focus of a financial adviser is in the more mundane, but critical role, of determining a clients most appropriate asset allocation.

So, how does stock picking differ to asset allocation?

Security selection involves just that, picking individual stocks or equities as part of a portfolio based on a range of criteria, such as future earnings prospects or assessed valuation against its current market price, with a view to gain from future price increases.

This approach can work and can provide significant returns, however, to borrow an economic phrase "there's no such thing as a free lunch". These portfolios may burn bright, but they will not burn long.

Significant opportunities for large returns are often accompanied by significant levels of risk, that are far greater than those of a well-diversified portfolio. A well-diversified portfolio is what is achieved when assets are allocated effectively across many different assets including equities, of both large and small companies as well as Australian and global companies. Most portfolios will also include an allocation to defensive sectors, such as cash and fixed interest securities (government and corporate bonds).

Diversification is the key to managing investment risk and aims to reduce the risk of one or more investments in a portfolio of having a period of poor performance, as other investments in the portfolio will likely be doing well to make up for the ones that may be having a weak period. Poor returns can be driven by macro factors, such as a recession or market shock or may be company specific, which can include scandals, legislative changes, CEO resignation or any number of unforeseen non-market events. All of which could impact returns in an adverse way in a portfolio made up of only a few single stocks.

Numerous academic studies have consistently shown asset allocation to be responsible for approximately 90% of returns for a portfolio, rather than investment selection. Clearly, for a portfolio to be sustainable and generate consistent returns to investors over mid to long-term time horizons, asset allocation is the critical decision.

How are assets allocated?

Effective asset allocation depends on the individual risk profile of an investor. This risk profile is determined by many factors including financial goals, time horizons and personal tolerance for investment risk. Once this is known, an investor can be provided with a portfolio specific to their needs and goals. Whether that includes the needs for a consistent income or desire for long-term capital gains, proper asset allocation across the available asset classes, in appropriate proportions, will result in a well-diversified portfolio that should deliver this for a client.

With online platforms that now reduce brokerage more than ever, it is important for retail investors to consider their motivations. If you intend to speculate on volatile securities such as crypto currencies and tech stocks and expect to get rich quick, take the success stories you see in your newsfeed with a grain of salt. If you intend on achieving your long-term goals of wealth creation to provide you with a better future, it is worth talking to an experienced financial adviser to tailor you an investment to help make these goals a reality.

"Understanding the impact of changes in key value drivers for your software business is an important step towards a rewarding business sale or capital raising process."

CORPORATE FINANCE Partner **Vikas Nahar**

What's My Software Business Worth?

Internet, mobile phones and cloud computing have arguably been the three most important factors that have driven the world markets over the last decade – a role that was traditionally reserved for primary sectors like oil, banking, agriculture, and healthcare.

Software businesses or to use the right buzzword "software as a service" (SAAS) businesses have become market darlings attracting a large pool of capital across most major markets in the world at (often) seemingly insane valuations. As an outside observer, it may seem that the traditional earnings-based valuation methods are simply ignored by the investors that pay multiples of 5-10+ times revenue (or recurring revenue). Having worked as a valuation practitioner during these times, I can confidently say that this is not the case. While the reported revenue multiples on market transactions can fall within a wide range, as a software business owner looking to raise capital or sell the business it is important to understand why.

The case study example (right) provides some context as to what these seemingly high revenue multiples could really mean.

So what's my software business really worth?

As a rule of thumb, investors in small but mature private businesses are typically looking for returns of 15-25%. For businesses that have limited fixed asset requirements (i.e. negligible depreciation) and are growing at inflationary rates of 2-5%, these roughly translate into EBITDA multiples ranging from 3-6 times. Investors in most mature software businesses will have similar expectations. However, if you are a high growth SAAS business the metrics change completely.

Where your business falls within the value spectrum is driven by the following key characteristics:

- **Growth –** high growth businesses will typically be valued by investors using other methods like DCF. These businesses may not be profitable or may be reinvesting profits into further development and an earnings multiple based valuation may not even be applicable. It is imperative for such businesses to start developing robust forecast models that can quickly demonstrate the impact of changes in key value drivers to potential investors.
- **Margins –** investors value the ability to maintain margins especially through low maintenance or enhancement costs needed to maintain the existing customer or revenue base.
- **Customer concentration –** higher concentration of revenue from a small number of key customers will decrease the multiple paid while a well-diversified customer base adds value.
- **Customer stickiness –** investors value low customer attrition which can be achieved through long term contracts or via deep integration of the software within customers' key business processes.
- **Quality of management team / key person risk –** ability of management team to run the business in owner's absence adds value while dependence on the owner or another key person detracts value.
- **Ability to compete –** most legacy software businesses face competition from new entrants that are often providing cloud-based SAAS offerings. Ability of the business to evolve and remain competitive is a key investor consideration to preserve future value.

Despite COVID 19, there has been plenty of private capital seeking investments in software businesses in Australia with valuation metrics largely unchanged given strong longer-term fundamentals for the sector. If you are looking to sell your software business, speak to one of our valuation and financial modelling experts. A good understanding of value and key value drivers before starting a business sale or capital raising process will set the expectations right for you and your advisors. We can also help you understand the areas you can strengthen to enhance value ahead of an exit.

Case Study – Venture capital investment in a high growth SAAS business

Company A is a B2B SAAS business, offering solutions to the financial services industry. The Company announced a $10 million investment in the business by a leading venture capital firm, representing a pre-money valuation of $25 million. In a separate press release a few months ago the Company had shared its results for the previous financial year with revenue of $2.5 million. Putting the two together the headline in a financial journal read:

"Venture capital firm pays 10 times revenue for Company A"

Well, not really. Besides the fact that the investor's valuation was based on a discounted cash flow model (DCF) that took into account revenue increasing manifolds, the Company had completed major customer deployments since the end of last financial year with revenue reaching $5 million for last twelve months (LTM). The annual recurring revenue (ARR) was already at $7.5 million based on contracted customer base. Adjusting for the latest numbers implied LTM revenue multiple of 5 times and an ARR revenue multiple of 3.3 times. ARR of $7.5 million and a normalised margin of 40% (excluding customer acquisition and software enhancement costs) implied a normalised recurring EBITDA of $3 million. The pre-money valuation of $25 million implied a recurring EBITDA multiple of 8.3 times.

Furthermore, the investor was issued a separate class of shares with liquidity preference over existing shareholders that provided significant downside protection to the investor if the business failed to hit the forecast growth. In other words, if the business sold at a valuation of $10 million or less, the entire proceeds would go to the new investor. In the downside scenario tested by the investor, there was an option to restructure its operating cost base to a target EBITDA margin (which was considered reasonable based on the existing product and revenue base). The business would be sold after three years for a modest 3 times EBITDA multiple. While this implied a negative current valuation on a DCF basis, it provided a small positive return to the investor on exit with existing owners receiving a negligible amount from proceeds.

The $10 million liquidity preference implied 2 times LTM revenue, 1.3 times ARR and 3.3 times normalised recurring EBITDA. I typically look at these as "risk adjusted metrics" that the investor is buying into with a massive upside – i.e. if the business does hit the forecast the investor's capital generates over five times return in around 4-5 years.

"For small businesses facing financial difficulties, the Small Business Restructuring Process (SBR Process) could provide a lifeline, acting as a life jacket for small businesses following the end of the temporary insolvency relief measures."

 Domenic Kyriacou Senior

Understanding The New Small Business Restructuring Process

We are all aware of the vast impact COVID-19 has had on Australia's health system and economy. The response from both the Federal and State government to avert the crisis was swift, with a number of initiatives and packages being enacted, these include but are not limited to:

- JobKeeper;
- JobSeeker;
- Temporary insolvency relief measures; and
- Coronavirus Supplement.

A more recent response from the Australian Government is the fast-tracked implementation of The Small Business Restructuring Process (SBR Process) which came into effect from 1 January 2021. The SBR Process has been introduced to allow financially distressed, but commercially viable businesses, the opportunity to restructure their debts whilst continuing to trade with the help of a Small Business Restructuring Practitioner. For small businesses facing financial difficulties, the SBR Process could provide a lifeline, acting as a life jacket for small businesses following the end of the temporary insolvency relief measures which expired on 31 December 2020 and the impending cut to the JobKeeper payments at the end of March 2021.

Why was the Small Business Restructure Process (SBR Process) Introduced and What Makes it Unique?

The SBR Process is intended to reduce the costs and complexity of the external administration process.

Unlike your typical external administration appointments, such as Voluntary Administrations and Liquidations, the SBR Process is considered a debtor in possession model. This means the Directors of the company retain control of their business and can enter into transactions in the ordinary course of business.

Most importantly it aims to minimise the chance of small businesses being wound up.

How Does the SBR Process Work?

1. The company's Directors must agree that the company is insolvent or will soon be insolvent.
2. The company's Directors must appoint a Small Business Restructuring Practitioner (SBRP).
3. The company has 20 business days to work with the SBRP to prepare and issue a restructuring plan to the company's creditors.
4. Creditors have 15 business days to approve the proposed restructuring plan. If the majority of creditors vote in favour of the proposal, the plan will be implemented. However, if creditors reject the proposal, control of the company is retained by the directors and they may consider other options, including placing the company into Voluntary Administration or Liquidation.

Eligibility

To be eligible for the SBR Process, a business must meet the following requirements:

- The business must be incorporated and have liabilities of less than $1 million.
- The business is currently insolvent or will become insolvent.
- The business must have paid all employee entitlements due and lodged all taxation returns required under taxation laws.
- The company's Directors must not have been engaged in the SBR for another company within seven years.

We Can Help

Temporary insolvency relief measures expired on 31 December 2020 and with Job Keeper and Job Seeker not far behind, it is a prudent time for struggling small businesses to assess whether they qualify for the SBR Process.

If you require assistance in understanding the SBR Process or would like to discuss any concerns further, please contact our Business Recovery team.

"Sunny Ridge Farms continually search for knowledge about what it takes to nurture and harvest the best possible strawberry, raspberry, and blueberry varieties. The farm teams have a passion to provide the best customer experience using natural and sustainable farming methods wherever possible."

Sunny Ridge Farms – Sustainable & Berry Delicious

Could English author Izaak Walton foreseen the future 350 years ago and envisaged eating berries produced by Sunny Ridge Farms, when he stated *"… Doubtless God could have made a better berry, but doubtless God never did…"?.*

Sunny Ridge Farms continually search for knowledge about what it takes to nurture and harvest the best possible strawberry, raspberry, and blueberry varieties. The farm teams have a passion to provide the best customer experience using natural and sustainable farming methods wherever possible.

So how have Sunny Ridge Farms implemented sustainable farming methods? They base their process on five key pillars:

1 Soil and Substrate Preparation

- Sunny Ridge farms both traditionally in the soil, as well as hydroponically in coir (substrate). Coir is naturally occurring (untreated) and biodegradable soil substitute – coconut husk. The substrate provides the benefit of controlling the irrigation and application of treatments through more specific targeting as the plants are bagged rather than in the soil bed.
- Traditional soil preparation (5-6 months prior to cropping) involves a combination of natural and inorganic methods to ensure the soil is suitable to create great berries.

2 Irrigation & Fertigation

- Sunny Ridge Farms use sustainable bore, harvested and recycled water without reliance on community water resources.
- Water is regularly tested and allows precise measurement of only the necessary minerals and nutrients for optimum plant health.

3 Pest & Disease Control

- Sunny Ridge Farms use an Integrated Pest Management (IPM) approach which is an environmentally sensitive way of managing pests. It uses a combination of best farming practices and control methods.
- The harvest teams take care to ensure picking and all crop treatments are suitably timed to protect the purity of the berries.

4 Quality Assurance

- Sunny Ridge farms quality teams review all harvested fruit to ensure that only the best berries are delivered to customers.
- There is a heavy reliance on recycled materials for the fruit punnets and returnable, reusable crates are used to reduce cardboard usage to a minimum.
- Metal detection and heat-sealing equipment has been installed at the largest packing shed to provide retail chains added security in the prevention of food tampering.

5 Labour

- The highest cost variable in growing and distributing berries to market is labour. This incorporates the pickers and packers who in any given year supply over 18 million punnets across strawberries, raspberries, and blueberries.
- Over recent years, Sunny Ridge Farms has been working with government and private labour suppliers through the Seasonal Worker Program. This structure has been designed to allow workers within developing countries throughout the South Pacific the opportunity to gain visa clearance to pick/pack fruit on Australian farms under the protection of current employment legislation.
- The Seasonal Workers are able to gain confidence in their working environments, which has assisted in the ability to retain workers especially in these challenging times of border closures and significant shortfalls of workers.

PKF is proud to work with Sunny Ridge Farms in providing taxation and audit services to assist the management team in meeting these obligations.

For more information head to www.sunnyridge.com.au

I choose to challenge by...

“Living life boldly, respecting all people and accepting nothing less.”

Diana Christopher

I choose to challenge by...

“Recognising that gender equality is something that we continuously need to work on, which we are doing through things such as our thrive and lead program, diversity and inclusion initiatives and dare to aspire.”

Steve Meyn

PKF

I Choose to Challenge by...

#ChooseToChallenge #IWD2021 #TeamPKF

International Women’s Day

I choose to challenge by...

“Staying empathetic and genuinely interested in others. I seek to avoid making assumptions about an individual’s background, capability, or interests.”

Amy Daley

I choose to challenge by...

“Encouraging those around me to have confidence in what they need to say and reassuring them that I stand with them in support.”

Simon Rutherford

“With the awards being based on real-time data, whether we win or not, it gives us the opportunity to improve year-on-year and benchmark our services against the best.”

PKF Take Finalist Position In Prestigious Client Choice Awards

Local Accounting and Business Advisory firm, PKF, has been named as a finalist of the Client Choice Awards 2021, Best Accounting and Consulting Services Firm ($50-$200m revenue) category.

“At PKF we pride ourselves on delivering only the best service and advice to our clients and strive to create and build meaningful and strong relationships that transcend the day-to-day business work” said PKF Australia Chairman and Newcastle/Sydney Managing Director, Steve Meyn.

“It is a great honour to be named as a finalist in this year’s Client Choice awards. We truly aim to live out our values of Passion, Teamwork, Clarity, Quality and Integrity, and work every day to bring more value to our clients and their businesses.”

“With the awards being based on real-time data, whether we win or not, it gives us the opportunity to improve year-on-year and benchmark our services against the best.”

It is now time for the finalists to put their trust in their clients, during this feedback process, as the clients have done with their businesses in trusting the firms.

The number of finalists in the Best Accounting and Consulting Services Firm ($50-$200m revenue) category has grown from 2 in previous years to 5 in 2021, highlighting that the standards within the industry are higher than ever and with the year that was 2020, it is great to see so many firms being nominated.

As a National firm, PKF utilise their extensive network of professionals but set out to ensure they keep a local mindset when working with clients.

The team at PKF instil this within their work every day and it is this mentality that differentiates them from the rest.

The Client Choice Awards span across several industries, basing their selection of finalists on real client analysis and their interactions with each firm. The awards are judged with a range of criteria including quality, value for money, price, and innovation. Founded over 15 years ago, the awards aim to distinguish between the best-of-the-best over 40 categories. Client responses are conducted through surveys, with an overall score attributed to the firm that determines their placement as a finalist and eventually a winner.

Although PKF did not win the Best Accounting and Consulting Services Firm ($50-$200m revenue) category, we were pleased to be a finalist and utilise every opportunity for improvement.

"Our clients will be able to take advantage of a scalable model and fast deployment times. We will be able to offer our services to additional companies, previously not possible."

Oracle NetSuite Announces Partnership With Mid-Tier Firm

NetSuite on Tuesday announced the expansion of its BPO partner program to include a partnership with mid-tier business advisory and accounting firm PKF.

The program offers businesses which provide business process outsourcing (BPO) or business process as a service (BPaaS) with a unified cloud-based service with built-in enterprise resource planning, e-commerce and customer relationship management solutions that they can extend to their clients.

Anthony Sullivan, who heads PKF's digital team, said the firm will use the partnership to build upon the BPO services it offers its clients at scale.

"The NetSuite BPO program will help us deliver a quality service through a proven, standardised process," Mr Sullivan said.

"Our clients will be able to take advantage of a scalable model and fast deployment times. We will be able to offer our services to additional companies, previously not possible."

The partnership announcement was made off the back of a host of feature updates, revealed by Oracle NetSuite EVP Evan Goldberg on Tuesday, across finance automation and automated inventory management.

NetSuite will now offer centralised purchasing and billing to its users; bank feeds — a feature that will simplify reconciliation tasks and automate financial data imports from banks globally; simplified email approvals; as well as updated features that will allow users to manage webstore pages in different languages, add blog posts, improve SEO, and track real-time analytics.

The cloud software giant also announced Pack Station, an interface that will automatically group orders with the same shipping routes together, and Warehouse Management System, which simplifies warehouse operations related to cart packing and label printing.

"All organisations have gone through seismic changes and while obstacles remain, opportunities are growing," Mr Goldberg said. "We want to give our customers the tools needed to embrace these opportunities with confidence and optimism.

"The latest updates to the NetSuite platform enhance the financial, inventory management, automation, and analytics capabilities so that our customers can maximise operational performance and accelerate growth."

"This article first appeared in Accountants Daily – 5 May 2021"

2021 FEDERAL BUDGET SNAPSHOT

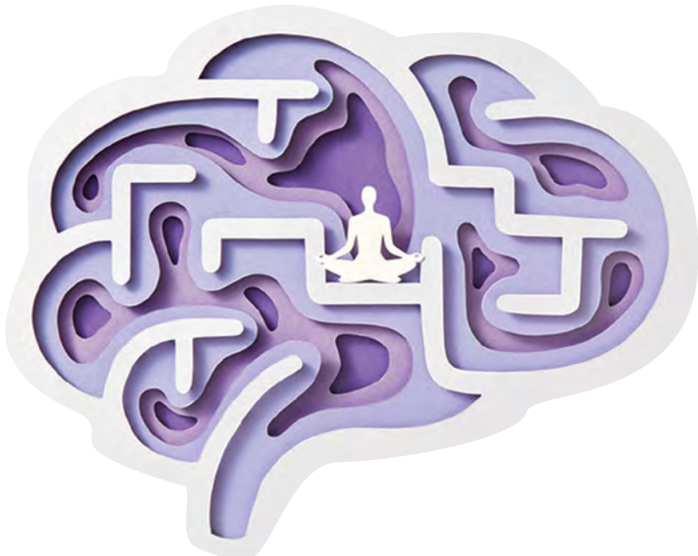
Resilience In The Face Of COVID

- COVID-19 relief for businesses – extensions
- COVID-19 relief for individuals - extensions
- Self-assessing the effective life of intangible depreciating assets
- Patent Box Concession
- Residency
- Employee Share Schemes (ESS)
- Removal of Superannuation Guarantee Threshold
- ATO debt recovery action
- Not-for-profits (NFP)

"Regardless of the challenge, we strive to be the calm, measured voice, that appears comfortable with uncertainty, inclusive of unfamiliar topics, stakeholders and consistently bring our A-Game."

AUDIT & ASSURANCE Amy Daley Assistant Manager

The Role Of The Risk Management Professional



The prolonged and extreme nature of the challenges of 2020 have left many risk and assurance professionals feeling fatigued and with the holiday period giving them the opportunity to rest, reflect, and reset for the year ahead.

As with professions such as law and medicine, it is important to acknowledge the 'high level of intellectual and emotional engagement' required of risk and assurance professionals.

Regardless of the challenge, we strive to be the calm, measured voice, that appears comfortable with uncertainty, inclusive of unfamiliar topics, stakeholders and consistently bring our A-Game.

We seek to provide effective, practical tools, advice, and strategies to help others navigate high-stakes decision-making, and progress towards their desired goal.

In addition, we often work in small teams, with limited resources, must negotiate effectively with a variety of stakeholders (often with competing agendas and priorities), and continue to enhance our knowledge and experience.

It is therefore vital that we implement effective preventative strategies, to avoid potentially 'depleting our internal resources,' and detracting from our performance, value, and other aspects of our lives.

Experts in neuroscience have explained that when we allow ourselves to run on empty, our sympathetic nervous system becomes over activated, and we get trapped in a state of chronic flight, fight or freeze, or 'amygdala hijack.' In this heightened state of arousal, our physical and mental responses focus solely on 'survival, threat management and preparing for potential injury.'

Until calmed, cognitive function is impaired, and professionals will feel fatigued, overwhelmed, and are more likely to *"perceive threats that do not exist, react instead of respond, act instead of reflect, and speak instead of listen."*

Without sufficient recovery time, we may develop 'chronically high levels of cortisol.' Attempting to assist others in this state, will often result in poor outcomes, inclusive of damaged relationships and reputation, financial loss, and health impacts such as burnout, and fatigue.

Professionals may also lose confidence and motivation, experience irritability, social withdrawal, exhaustion and ultimately attrition.

Given the stakes, it is therefore, vital that we seek to practise what we preach, and implement effective controls to mitigate the risks, inclusive of:

- Striving to meet basic psychological, physical and emotional needs such as regular exercise, time with friends and family, healthy diet, and adequate sleep, rest and recovery;
- Scheduling regular physical and mental time to engage different parts of the brain, calm the nervous system and recalibrate;
- Exploring techniques that help with self-awareness and acceptance, such as regular reflection and mindfulness, which help us understand situations and events that may be potentially triggering, as well as our own needs and limits based on our unique psychology, life experience and risk appetite;
- Catching up with trusted peers regularly which can help reduce isolation and frustration, and provide additional insight, perspective and support as we attempt to make sense of confusing, complex and potentially distressing information; and
- Creating and diligently maintaining boundaries – inclusive of adequate balance between personal and professional, and seeking additional support and resources as required.

We look forward to working with you to help you and your organisations get some further runs on the board in 2021.

"The game hasn't changed, but the field we play on has. What worked last year might not be the right way anymore. If nothing else, many of us were forced to better embrace technology as we worked from home. Has that led to lasting change for the better?"

Chad Russell Partner **NEWCASTLE BUSINESS ADVISORY**

Building A Sustainable Business In Challenging Times

The Cambridge dictionary has two definitions of sustainable. The first is "able to continue over a period of time" and the second is "causing little or no damage to the environment and therefore able to continue for a long time". While there is rightly a lot of focus on the second definition in the business world these days, off the back of a pandemic and in the economic environment we are in, I am focusing on the first definition for this article.

As I write this, it is now almost 12 months since Australian businesses really saw the start of the devastating impact of COVID-19. March 2020 saw massive amounts of fear, significant job losses, panic buying and many businesses looking to cut whatever costs they could to simply survive. "able to continue over a period of time" simply looked like a fairy tale.

Fast forward twelve months to February 2021. Globally, COVID-19 is still having a significant economic impact however for Australian businesses, much of the fear has dispersed. I'm not saying that business owners are being flippant about it, that's far from the truth. But many are cautiously mapping their way out of trouble and looking for the opportunities that exist to come out the other end with stronger, more sustainable businesses.

What we have now is an opportunity to reset the strategy. Take on board all you have learned over the last twelve months and come out stronger. Build your strategic plan to deliver a sustainable business. Some steps we would typically take include:

1. Ask questions like:
   - Why are you really in business?
   - Are you getting the rewards that you want out of the business?
   - Who do you service and why?
   - How do you do what you do? Is there a better way?
2. Review your business on a "now, where, how" basis using a balanced scorecard approach.
3. Get clarity on the key drivers of your business and understand how you can influence them to grow profit.
4. Build an action plan.
5. Hold yourself accountable to the action plan.
6. Measure results and help you adjust the course as required.

The game hasn't changed, but the field we play on has. What worked last year might not be the right way anymore. If nothing else, many of us were forced to better embrace technology as we worked from home. Has that led to lasting change for the better?

For most, sustainable business doesn't just happen. It's the result of being able to effectively fulfil a market need in an efficient way and being agile enough to adapt to the changes thrown at you along the way.

If you have concerns about the sustainability of your business, there's no better time than now to do something about it.

At PKF we think it is important for our clients to 'get to know' our team, so we took five minutes to chat with Jackie to find out some interesting things about her.

Take 5 With... Jackie Marriott

Jackie has been part of the team at PKF since 2016 and has thrived in her role in Newcastle's Business Advisory unit.

Q What is a little known/interesting fact about you?

I love building flat packs! I don't even usually use the instructions and it usually looks like the picture.

Q Who is your hero and why?

Jacinda Ardern – she is a leader who doesn't compromise on her empathy or ethics yet still leads with strength and purpose.

Q If you could live anywhere, where would it be?

I've always wanted to move to Melbourne (keeping it in Australia for COVID reasons). The atmosphere and culture is amazing and inclusive. I try to go there a few times a year at least (pre-COVID).

Q If you could only eat one meal for the rest of your life, what would it be?

Desserts! Or if I had to narrow it down – chocolate cake (see me sharing a piece with my niece Jasmine in my pic)

Q If you could go back in time, what year would you travel to?

The 1920's – swing dancing, jazz, cocktails (although I can enjoy these in 2021 as well! Just see my pic).

Tax Diary

JUNE 2021	
5	Due date for lodgment and payment of income tax returns for individuals and trusts with a lodgment due date of 15 May 2021 provided they also pay any liability due by this date.
21	Due date for lodgment and payment of May 2021 monthly BAS.
25	Due date for lodgment of fringe benefits tax return for the year ended 31 March 2021 if electronically lodging. Payment (if required) must be made on 28 May as stated above.
30	End of financial year.
30	Super guarantee contributions must be paid by 30 June 2021 to qualify for a tax deduction in the 2020-21 financial year.

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