MERRY CHRISTMAS
FROM THE TEAM AT PILOT!

Welcome to Pilot Directions, our newsletter that provides news, industry alerts and staff updates.

Looking back on the year, I think that we would all agree it has been a very challenging time for business. Whilst times have been tough the ingenuity and innovation of our clients has shown that you can still be successful in the current economic climate.

We believe that by working on the fundamentals of your business (such as a sound business structure and reporting systems) owners can be well placed to take advantage of opportunities within their markets.

In this issue we welcome Emma Dolphin a Manager in the firm’s Corporate Advisory and Assurance Division. Emma joins us after emigrating to Australia from the United Kingdom. She brings to the firm a wealth of experience and we are proud to have her on board.

We profile, DotSec, one of our Business Advisory clients. Brad Ryan and the team have assisted the information-security organisation with the development of short and long-term business strategies.

We also explore the uncertain tax positions associated with online business activity. Over the past few years we have seen a dramatic increase in clients shifting to e-commerce.

On behalf of the team at Pilot, we wish you a merry Christmas and a safe and prosperous new year.

We look forward to working with you again in 2013!

Brian McDonald

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2012 NEXIA INTERNATIONAL CONFERENCE WASHINGTON DC

Brian McDonald recently attended the 2012 Annual Nexia International Conference in Washington, DC. The firm has been affiliated with the international accounting and business network for nearly 20 years. The conference had 230 delegates, from more than 63 countries, representing their respective accounting firms.

Over the course of three days, Brian attended a number of technical and business management forums. With the election only a few days away there was much discussion throughout the conference about the US Presidential race.

One of the key observations that came out of the conference was regarding the global financial crisis. The US and European partners agreed that they were seeing opportunities in the marketplace despite the constant talk of ‘doom and gloom.’ Confidence is returning to business and many of them are undergoing business as usual.

Due to some recent mergers among the US accounting firms, Nexia International has grown to become the 10th largest global network. Pilot is proud to be a part of a growing international professional network.

Should you have any questions about Nexia International or are considering business overseas, please contact your Pilot representative.

THE PAPERWORK STACKS UP FOR CHARITIES

The commencement of the Australian Charities and Not-for-profits Commission (“ACNC”) legislation will soon be upon us. The new legislation will bring with it several new reporting requirements and governance standards that not-for-profits will be required to meet. These requirements will apply to any not-for-profit entity which receives concessional taxation treatment (for example income tax exemption) from the Australian Taxation Office.

From 1 July 2012, registered charities will be required to have kept financial and operational records that will be subject to annual reporting. The ACNC will require all registered charities to provide annual information statements detailing information about the charity’s operations and finances (including annual financial reports in most instances).

If you are concerned about the impact of these changes or would like to know more about your not-for-profit’s reporting obligations please contact Murray Howlett or Josh Meggs in our Taxation Services Division on (07) 3023 1300.
With more businesses developing an online presence it is not uncommon to see an Australian business sell a product that is manufactured in China, shipped directly to a customer in Ireland via a website hosted in India.

The taxation implications from such a transaction are somewhat ambiguous. Is any tax payable? Which country is entitled to the tax? Does each jurisdiction involved in an online transaction receive a small piece of the tax puzzle pie?

The ATO and other tax revenue authorities are struggling to keep up with the rapid expansion of e-commerce often having to apply laws which predate the popularity of internet-based business solutions.

We have seen a dramatic increase in activity by overseas tax revenue authorities over the past few months. For example:

- From 15 September 2012 revenue authorities in California have levied sales tax on items purchased online by Californians, regardless of where the sale took place.
- India’s Authority for Advance Rulings has recently determined that a foreign company’s computer server may create a taxable presence in India in certain circumstances.
- Senior executives from Amazon, Starbucks and Google were recently questioned about whether the companies they represent are paying the appropriate amount of tax in the UK.

Similar questions are beginning to be asked by politicians in Australia.

As the taxation laws continue to evolve around the world it will be essential that businesses with an online presence remain abreast of the changes. They will need to be ready to act as the laws play “catch up” in the relevant taxation jurisdictions.

If you are concerned about the taxation implications associated with cloud computing please contact Murray Howlett or Brad Ryan in our Taxation Services Division on (07) 3023 1300.

For me, the most interesting part of being an auditor is the opportunity to be exposed to all the different types of businesses. I find it fascinating to learn a clients’ business and see how they tick.

As an auditor you get an insight into peoples’ ingenuity in creating a product or service. I also find it very enjoyable to watch businesses grow from start-ups to large and sometimes even multi national companies.

I have also enjoyed getting to know my auditing team. They are a great bunch!

Tell us something about yourself that we wouldn’t learn find on the Pilot website.

Back in the United Kingdom, I ran a motorhome rental business with my husband for a number of years. I certainly understand the rollercoaster highs and lows of owning your own small business. It was a very interesting time and it gave me the opportunity to meet different types of people from all walks of life.

Emma can be contacted on (07) 3023 1300 or edolphin@pilotpartners.com.au
BACKGROUND
DotSec (www.dotsec.com) is a professional, independent, Australian-owned information-security organisation that provides products and services to a wide range of private and public organisations.

The business’ main areas of focus are:
- Integration and development of secure computing systems
- Penetration testing and vulnerability assessment services
- Support and managed services

DotSec has built secure systems for finance, government and utilities companies. It has completed security assessments that have uncovered vulnerabilities in almost every kind of on-line application, including on-line payments, education, banking, transport and insurance systems.

BUSINESS CHALLENGE
DotSec owner, Tim Redhead, established the business in 1999. Not long after completing his PhD in heterogeneous distributed computing systems, Tim decided to start his own company. DotSec attributes its humble beginnings to a small back office room in Milton. However the company soon began to grow and Tim started to employ staff before moving DotSec to Adelaide Street in the city. Tim breaks all the stereotypes associated with IT. His deep understanding of the world of security and IT systems is mixed with an approach that is fresh, enthusiastic and personable.

Tim admits he paid little attention to accounting during DotSec’s first few years. “I was just focused on my business and doing the best possible job for my clients.”

In 2007, Tim decided to attend a small-business seminar in the city. At the seminar he heard Brad Ryan, a Director in Pilot’s Business Advisory Division, talk about tax concessions for small businesses.

Tim liked what he heard and realised that Pilot had the potential to take a more proactive approach towards his business.

“I spoke to Brad after the presentation”, said Tim. “It wasn’t long after afterwards that I made the move from my previous accountant over to Pilot.”

BUSINESS SOLUTIONS FROM A BUSINESS NAVIGATOR
DotSec has now been a client of Pilot’s for more than five years. The first two years of the business relationship Brad and his team primarily focused on addressing residual tax issues and setting up structures to ensure the business would remain compliant.

While learning about the business Brad identified some opportunities to improve DotSec’s bottom line.

“It became apparent to us that Tim’s business had a lot of potential to become more profitable,” said Brad.

“Tim was the classic small business owner focused on working ‘in’ rather than ‘on’ the business,” continued Brad. “We worked on a program with Tim to improve profitability which in turn strengthened the business’ stability. This strategy allowed Tim to recruit and retain a team of talented information security professionals.”

The first step was to reorganise DotSec’s pricing structure. The reorganisation ensured that the business’ pricing had a consistent framework across the entire client base. Standardising the pricing ensured that the cost reflected the type of project conducted.

Revising the pricing structure also enabled Tim and the Pilot team to review existing staffing resources.

“We were able to determine what resources I had and what we could achieve,” said Tim. “I have wonderful staff and I want to continue to allow them to take on new challenges and responsibilities as we continue to grow.”

Since engaging with Pilot, Tim has been able to focus on growing his business. Tim says that he is focused on the future and meeting his professional and personal goals.

FINANCIAL AND OPERATIONAL IMPROVEMENTS
- Developed long-term business strategies that were aligned with the owner’s financial goals
- Set short and long term KPIs to ensure the business is moving forward
- Revised the business’ pricing model
- Implemented tax efficient structuring solutions
- Access to accounting resources that can be called-upon at any time

“IT is a world of difference working with Brad. Kristy and the team at Pilot. I am confident that I can manage and grow the company because I can plan and then act accordingly. We have always been successful with information security and now with the help of Pilot our financial management is sorted as well.”

Tim Redhead

For more information contact Brad Ryan from our Business Advisory Division on (07) 3023 1300 or bryan@pilotpartners.com.au.
Pilot welcomes the following new team members:

**BUSINESS ADVISORY**
Lachlan Ballinger is a Manager in the Business Advisory Division. He has more than eight years of experience. Previously, Lachlan held roles in accounting firms in Brisbane and the Sunshine Coast. Lachlan has a Bachelor of Business majoring in International Business and Accounting. He is also a Member of the Institute of Chartered Accountants.

**CORPORATE ADVISORY AND ASSURANCE**
Emma Dolphin is an Audit Manager in the Corporate Advisory and Assurance Division. She brings to the firm more than 24 years of experience. Recently arrived from the UK, she has experience working in British accounting firms in the counties of Kent and Lancashire. Emma has a BA (Hons) and she is a Fellow of the Institute of Chartered Accountants in England and Wales.

**BUSINESS PERFORMANCE AND RECOVERY**
Regan Nguon is an Undergraduate in the Business Performance and Recovery Division. He will be graduating in December from the University of Queensland with a Bachelor of Commerce, majoring in Accounting.

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**PwC Cool Night Classic**

Pilot entered a team in this year’s PwC Cool Night Classic. On Thursday, 1st November the team members participated in either the 3km walk or 5km run. The event had more than 4,500 participants and it raised money for selected Queensland charities.

Congratulations to Cain Hammond who was one of the first 130 people to cross the finish line in the 5km run.

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**Bottles and Briefcases Networking Group**

Until I returned from maternity leave last year, I never realised just how tricky it could be trying to juggle a career and a family - sometimes feeling (reasonably or not!) like you had to be performing twice as well at work to be thought of as the same person you were before you had your baby.

I knew that I was not alone so I decided to start up a networking group where other professional women could draw on each other’s experiences, chat and have a little bit of fun!

**Natalie McKay, Partner**

The Bottles and Briefcases (B&B) Networking Group meets for an informal breakfast once a month. Participants find support from fellow B&B-ers in the understanding of the challenges of managing a young family and a career.

If you would like to learn more about the group, please contact Natalie on (07) 3023 1300 or nmckay@pilotpartners.com.au.