



Empowering the Gulf through Business

INTRODUCTION

This document provides a quick overview of what is required to get a loan from ADBT. First, ADBT only provide business loans. We do not provide loans for personal items like cars or a boat.

ADBT must be careful when considering your loan application because most businesses fail within the first 5 years. Below are the conservative statistics.

The Small Business Association states that 30% of new **businesses fail** during the **first two years** of being open, 50% during the **first five years** and 66% during the **first 10**. Statistics are likely higher in the Gulf region.

Six Reasons Businesses Fail:

- Leadership Failure. Your business can fail if you exhibit poor management skills, which can be evident in many forms.
- Lacking Uniqueness and Value.
- Not in Touch with Customer Needs.
- Unprofitable Business Model.
- Poor Financial Management.
- Rapid Growth and Over-expansion.
- Very little to no experience in chosen business

So, ADBT does not want to provide a loan to someone that doesn't have the BEST chance of success. The last thing we want to do is make a person's financial situation worse because business loans if not repaid will be turned over to a debt collector.

Starting any business especially in a regional/remote area like the Gulf is harder than doing business in more populated areas. Therefore we have established a Co-Venture Model (CVM) or program to assist you to have the best chance of success.

The ADBT has developed the CVM from experience gained in providing loans and support to Indigenous businesses in the Lower Gulf for over 20 years. The CVM aims to protect the interests of the ADBT (**money we have loaned**) and of the prospective business operator by

sharing ownership, risk and control in the early years of a venture and developing the business operator's skills and capacity to ensure the business is sustainable in the long term.

The CVM is founded on the principle of transitioning the business operator into increasing levels of ownership as skills and capacity are developed and the loan is repaid.

Basically the CVM creates a partnership with the person taking out the loan and provides assistance with bookkeeping and the operation of the business. As the loan is paid off and the person has gained the experience to manage the business on their own the business is handed over to the operator and they become the full owner. Whether the owner wants to continue using the bookkeeping service and operational assistance is up to the owner.

Overview

Source of finance

Generally the ADBT will provide the funding required to establish the business. In some circumstances external finance may be sought from a bank or other financial institution or funding provider such as Indigenous Business Australia (IBA). This would occur if the loan amount is more than what ADBT will provide for an individual, family or community group.

Ownership and control

Rights to ownership and control of the business will initially be held by the ADBT. Overtime ownership and control will pass to the business operator in stages as business development and personal development milestones are met. Ultimately the objective is to have the business operator in 100% control of a successful business. Getting to this point will take time.

Management

Management of the day to day activities of the business will generally be conducted by the business operator. In some circumstances external management may be employed to assist in the training and development of the business operator.

The business operator, external manager, if required, and other staff will be employed.

It is important to understand that in the early days of the business investment, the business operator will be taking the role of an employee in the business. He or she like any other employee will be accountable to the ADBT General Manager and/or a board.

Business support

Business support will be organised by the ADBT. Depending on the nature of the business and the in-house skills available the support may be provided by ADBT staff or contractors or some other external source. While the support will be facilitated by the ADBT the cost of the support will be borne by the business.

The aim of business support is to get the business operator in a position where he or she can successfully operate the business in his / her own right.

Administration

Administration will initially be conducted by the ADBT. Bookkeeping, banking and other administrative tasks will be managed by the ADBT office staff. Again the aim is to develop the skills in the business operator to manage these tasks over time.

The cost of providing administration services will be passed onto the business.

Milestones

The transition for the business operator from employee to business owner will be mapped out at the commencement of the business. Milestones will be agreed with the business operator that will trigger a sale or transfer of percentages of the business to the business operator.

CVM PROCESS

The ADBT and the business operator will work together in developing a case for the business investment. Stages will generally include:

Business case assessment. *Will this business work? For many applicants this could be the end of the road. If the business doesn't look like it will make enough money repay the loan and support the operator with a wage, the loan won't be approved.*

Business operator assessment. *Does the operator have the experience or know-how to make the business work? If an operator doesn't have any experience or know-how, it is unlikely the loan will be approved.*

LEGAL STRUCTURE *How or in what form will the business start?*

The legal structure for entering into a business enterprise is by using a private company as the co-venture entity. Shares are initially held by the ADBT with transfers in ownership effected as transfer of shares as the milestones *(loan is repaid and the operator has enough experience to operate the business)* are achieved.

The arrangements between the ADBT and the business operator are evidenced in the loan agreement and the CVM agreement. *Operator must sign a loan and CVM agreement.*

PRINCIPLES OF LENDING

In providing loans to small business/operator the following must happen:

- Effectively monitor and manage risk exposures to a level acceptable to the Board. *(Make sure nothing bad happens)*
- Only provide loan funding where there is a reasonable prospect of recovery of the debt. *(Proposed business must make enough money)*
- Seek to obtain maximum security for loans provided *(If you own a car or house ADBT might use those assets as security for the loan)*. So if you don't pay a loan you might lose your house or car.
- Business support will be provided for the operator
- Ensure business is sustainable *(the business must make enough money)*
- Ensure succession planning is in place *(what happens when you want to retire or if you pass away)*

- Appropriate collection and monitoring processes are in place (regular bank deposits must be made and ADBT staff or contractors added to a bank account that the business will operate from)
- Recognize the historic credit worthiness and history of the prospective client (If you have bad credit this might hurt your chances of getting a business loan)

CRITERIA FOR LENDING

In advancing loans to clients the ADBT will adopt the following minimum criteria:

The business must generate sufficient income to at least pay a reasonable average salary (as determined by the ADBT Board from time to time) to the business owner and others working directly in the business after having funded:

- Loan interest and principle
- Business support costs
- Taxation

The client must seek to be engaged in a “business”. A business has the objective of making a commercial profit from the sale or provision of goods or services. Community service providers, hobbyists and “micro” business operators will not be considered for loan funding

Loan funding may be provided for:

- Plant and equipment
- Working capital
- Stock
- Other business related resources

The ADBT will not fund the acquisition of real estate by private individuals or families.

Business proposals must detail how existing or potential competition will be managed. ADBT will not fund a business that might compete with another ADBT loan recipient or indigenous person.

The business / proposed business must be able to demonstrate to the ADBT that its prospects of being viable are assured to an acceptable level of risk

The business must have a sound business model

The business / proposed business must be able to demonstrate how the necessary resources and business inputs are to be sourced including:

- Product
- People
- Place
- Finance
- Administration
- Marketing
- Support

BUSINESS SUPPORT

During the loan assessment process the ADBT will identify any key skill sets / resources that are required for the business to be a success. Any key skill set / resources that are not able to be internally sourced by the business owner must be able to be provided externally. The method of external business support and funding for it must be agreed to by the business owner prior to the loan being provided.

BENCHMARKS FOR LOAN ASSESSMNET

Measure	Benchmark
Reasonable average salary	\$50,000 per annum
Maximum loan amount Family / individual	\$250,000 (on average a loan does NOT exceed \$100,000)
Community organization / other	\$1,000,000

GCA eligibility for a business loan with ADBT

Background from the Gulf Communities agreement

Schedule 6 of the GCA provides for the establishment of the ADBT for the purposes of promoting and benefiting the general welfare of the Native Title Groups and Communities by:

Schedule 12 to the GCA defines Communities as:

Collectively:

- (a) The Native Title Groups (Waanyi People, Mingginda People, and Gkuthaarn and Kukatj People respectively, each for and in respect of their traditional country); and
- (b) Other Aborigines residing in the local government areas of Burke, Carpentaria, Doomadgee and Mornington Island.

Residing, as mentioned above, is defined as a long standing association with one or more of the Communities and or its other residents. In determining whether an individual resides in one of the Communities, for the purposes of this clause, the determination will be made by viewing evidence of residence and taking into account the following matters:

1. As a guide the Board believes a reasonable period of time to infer residence is 10 years.
2. Family and business / employment ties to the Communities.
3. Whether the individual is recognised by Aboriginal Community Groups and or Corporations as a long term member or associate.
4. Intention or purpose of presence in the Communities.

Ultimately a determination regarding eligibility will be made by the Board after having considered all relevant factors. GREAT/ADBt board members cannot apply for a loan. And must declare any conflict of interest.

Are you ready to get started? Please answer the following questionnaire. Once complete please scan and email to gm@adbt.com.au. If you don't have access to a scanner or email you can ring with your answers. Ring Brian Arnold 0428 737 645 to make an appointment. Or from time to time there are ADBT staff who travel to the Gulf on a regular basis.

Are you ready for business questionnaire?

As part of the questionnaire please tell us your business idea? Or what business do you want to buy? Please write your idea below.

Please relate your answers to the questionnaire below based on your business idea.

1. What are your reasons for wanting to start your business venture? Mark your score (from 1 to 5) after each question.

On a scale of 1 to 5.

- 1 Irrelevant**
- 2 Not Important**
- 3 Important**
- 4 Quite Important**
- 5 Extremely Important**

- (a) I'm currently unemployed and it will get me a job.
- (b) Working in my own business would be much more interesting than any other job I could get.
- (c) I don't want to work for a boss.
- (d) I want to build a better future for myself and/or my family.
- (e) I want to prove I can be a success.
- (f) I want to make money.
- (g) I want to contribute to the community.
- (h) I want to work my own hours.

2. What are your Skills, Experience and Education? Mark your score (from 1 to 5) after each question.

On a scale of 1 to 5.

1 Poor

2 Not Good

3 Average

4 Good

5 Excellent

Generally speaking:

1 How good are you at doing calculations with money?

For example, working out prices or discounts, or working out percentages?

2 How do you score your reading skills?

For example, do you frequently read books, magazines or newspapers, and do you find this booklet easy to read?

3 How do you score your writing skills?

For example, when you are writing letters to suppliers, distributors or outlets, or simple promotional material.

4 How do you score your confidence in ringing people you haven't spoken to before, and dealing with them over the telephone?

For example, getting the information you want, or getting to see them in person.

Regarding your particular business idea

5 How do you score your experience in the business you want to go into?

For example, have you worked for other people in this type of business? Have you worked in a closely related field?

6 How do you score yourself in the special skills needed in the business you plan to start?

In terms of being in business:

8 What is your experience with the sorts of paperwork your business will need to do, and/or how do you score your confidence in taking it on?

9 Have you ever had to sell a product or deal with customers? How do you score your ability and/or confidence in these things?

10 How do you score your confidence in setting (and getting) prices for your work, and asking people to pay up?

11 How do you score your level of confidence in dealing with institutions like banks, councils and government departments?

When it comes to running your own business:

12 What level of experience do you have in being responsible for a business project or part of a project?

13 How do you score your opportunities for getting some good advice about running your own business?

How do you score yourself on the following skills involved in running a small business:

14 Promotion and marketing.

15 Handling money.

16 Keeping records.

17 Selecting staff members (if you need to).

18 Managing your staff (if you need to).

19 Handling stock.

20 Meeting orders.

21 Following laws and regulations.

Once completed an ADBT staff member will provide you with some feedback on your answers to the questions.