



IMPACT MANAGEMENT GROUP

Wednesday, March 11, 2013

Manager

Policy Development Unit

Standard Business Reporting

Infrastructure Division

The Treasury

Langton Crescent PARKES ACT 2600

Dear Sir / Madam,

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Impact Management Group Pty Ltd (IMPACT) is a small but leading SBR enabled software development house with two successful SBR-enabled application products commercially available.

- 1) Interactive Accounts Manager - SBR full featured online accounting software; and
- 2) GovReports – SBR cloud lodgement solution for businesses, bookkeepers, accountants and tax practitioners.

IMPACT has the largest number of forms commercially available for taxpayers and their advisers for use through its cloud lodgement solution called GovReports. This has been available since June 2011 and channels SBR statutory reports to the SBR participating agencies including all 5 ASIC financial reports.

Even though IMPACT has since June 2011 made available a SBR solution consistent with the outcomes pursued through the Commonwealth's reform program for SBR, our small but leading company has encountered many difficulties in creating the demand and market for our services.

This has been difficult for many reasons. These challenges start from the biggest being the stickiness of potential clients to their current accounting software solutions through to market place uncertainty about the Commonwealth's genuine and concerted commitment to the SBR reform programme.

Our small company has encountered an enormous array of challenges.

Being a start-up has offered us a range of benefits including not having to deal with the software legacy issues confronting the majors in the industry but also has meant we have started without clients.

Starting without clients has meant marketing has been a massive barrier to entry for our business. The reputation and awareness of the services of the giants such as MYOB has been impossible to counter even though they do not provide real SBR solution as we do. The marketing budgets of the majors are so large that MYOB alone spent \$5m just to tell the Australian market place it reached one million clients.

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IMPACT understands marketing expenses are a necessary and expected expense in achieving market penetration in any industry.

However, the challenge has been doubly difficult in marketing our new services to the conservative industry we confront because the industry is utterly unaware of SBR.

Increasing awareness on SBR should not be our responsibility but this reality has meant our efforts and resources have needed to focus on increasing SBR awareness rather than selling our new services.

The Commonwealth is best positioned to take responsibility for industry awareness on the SBR reform.

Reporting entities are already extremely sticky to their existing software products because of the cumulative nature of the accounting activity. Moving to a new accounting software system almost always involved transferring data from the old system to the new. This takes time and money.

Further, it will never happen unless their advisers such as accountants and tax agents advise and drive the change. This is very low value work these advisers would actively seek to avoid.

Without the prospect of Government mandating SBR, reporting entities and their advisers will not invest in upgrading and augmenting accounting software systems or change their processes for lodging statutory reports.

Industry advisers must skill up and take on new commercial arrangements with new accounting software providers and direct their clients to incur the expense involved in these changes for there to be the momentum to elevate SBR into a successful program.

Even with all of these challenges and more, during the first six months of releasing our cloud lodgment solution - GovReports , we achieved over 1000 lodgments from over 850 ABNs. For the same period this year Impact achieved over 25,000 lodgments from over 12,000 ABNs for Activity Statements, Tax File Number Declaration, PAYG Payment Summary, Company Tax Return, SMSF Return, PTR, TTR, Payroll Tax to ASIC financial Reports 405/406 and 388.

With strong support from our users and industry such as the Institute of Certified Bookkeepers and the Australian Bookkeepers Network, we achieved manageable growth. Early feedback indicates lodging via GovReports and SBR is easier, quicker and saving users' significant amounts of time and expense.

Our experience and success is proof the public policy outcomes pursued by the Commonwealth are achievable and industry can potentially save the millions claimed by the Commonwealth.

ASIC released SBR forms for financial reports with PDF attachments. This demonstrates the Commonwealth's lack of faith in its own program and generates doubt in the minds of the software industry that is required to invest millions to make the SBR program a success about whether the Commonwealth is genuinely committed to the reform in a form where it can achieve its true potential.

Driving the SBR program to achieves the international XBRL/iXBRL objectives and transparency requires resolve from the Commonwealth. Allowing PDF lodgment generates doubt about this resolve.

Even though IMPACT can offer a service that does not require the PDF attachment, our limited resources prevents us from reaching the market of ASIC financial report lodging businesses.

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Without regulatory encouragement of SBR lodgment it is difficult to entice businesses to change their processes and means of lodging statutory reports such as the ASIC financial statements.

Mixed signals from the Commonwealth about its resolve to implement this program means software developers become less inclined to invest in SBR capability. The initial launch of the SBR announcement in 2007 attracted over 240 software developers. There are now just 95 with only 17 self certified.

Our initial go to market experience confirmed the doubt about the Commonwealth's commitment. The perception was and remains that the Commonwealth is not promoting SBR as there is uncertainty about the new technology, there is a lack of government agency enthusiasm and plenty of despondency from the SBR participating government agencies.

Therefore IMPACT has found reporting entities feel no compelling reason to become SBR enabled.

However, the experience with SBR reporting practices is very different to the perception.

Early adopters of IMPACT's SBR lodgment solution GovReports indicated the following benefits:

1. GovReports resolved their practical issues saving their precious time.
2. More transparency in viewing what they are lodging with the ATO.
3. Receiving instant receipt of lodgment of PAYG annual reports.
4. Professionals can lodge the client's reports from the client's site using their own AUSkey.
5. The amount spent on SBR software saved more in time/cost/certainty of lodgment.
6. Clients were happily adopting the new technology including CLOUD.

The experience of early adopters proves new SBR technology facilitates the Commonwealth's objectives by reducing red tape and simplifying the processes in operating a business.

The public's general perception is we need to adopt change to resolve complexities in our current commercial environment and making it simpler speeds up its adoption.

Why ASIC should not require PDFs

Lodging Financial Reports in the XBRL format and attaching a PDF report simply cannot be supported.

If iXBRL can resolve the issues detailed in the Options Paper then it should be the prescribed solution.

Most of Australia's 27,000 reporting companies have in-house accounting /business management software or customised ERP packages. Allowing a PDF to be part of the lodgment encourages the lethargy and calcification that is preventing the report lodging community and its professional support from moving into developing and adopting the new technology already available and emerging quickly.

To allow lodgment of PDFs will create market incentives to integrate in-house software with SBR capability. This will give rise to a separate and large software development project of its own. ERP packages will move towards SBR capability.

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These prospects give rise to questions such as whether it is viable for these software providers to enter into SBR development in a separate stream, what is the time frame for this development and is this commercial?

SBR has not and cannot estimate any savings from moving away from the software development currently occurring to a new stream of software customising.

Introducing SBR technology into the ageing desktop bound lodgment versions in use has many limitations and in many cases will not work because of its lack of flexibility and limited capabilities.

SBR is a new concept embracing the latest cloud technology. The Commonwealth should be careful to ensure the energies of the software development industry are properly harnessed and focused.

IMPACT has a product that harnesses the output of existing accounting and management software products being utilise by the thousands of reporting entities and bolting onto it an SBR enabler.

GovReports capability:

- 1 GovReports enables users to upload PDF and XBRL copies of financial statements for lodgment direct to ASIC. However IMPACT recognizes the use of a PDF file upload is an inefficient medium for submission. This is especially when file sizes can be larger than 10 megabytes which is often the case for medium/larger companies. XBRL/iXBRL is a more efficient way of transporting financial reports and PDFs can be generated on the back end if necessary for human reading.
- 2 Requiring software developers to accept PDF reports creates unnecessary storage and security concerns.
- 3 PDFs received are usually stored away and depending on the PDF generation electronic searching may not be possible. This adds to the inefficiency from requiring PDF financial reports.
- 4 The cost associated with XBRL/iXBRL only mediums is cheaper.
- 5 GovReports offers user friendly wizard driven method of input which has been proven to be efficient.
- 6 Furthermore GovReports continually identifies file import solutions to extract and auto-fill forms for faster submission.
- 7 IMPACT supports Option 1 as the cost of SBR submissions via GovReports is practically zero. GovReports already has users successfully lodging ASIC reports via SBR. There will be additional development costs to extract financial data from iXBRL but IMPACT does not see this as a prohibitive cost.
- 8 The cost associated with PDF lodgment is generally higher with inherent risks as PDF lodgment is often associated with file size and bandwidth restrictions (that XBRL/iXBRL do not have).
- 9 Keeping unencrypted files in storage and the requirement of storage is a prohibitive cost.
- 10 With regard to implementation IMPACT prefers one off implementation of electronic reporting across the board for companies of all sizes as GovReports is ready to cater to the 27,000 entities.

GovReports is a cloud lodgment solution for businesses of all sizes. With the ATO's ELS2SBR programme to be mandated in 2015-16, GovReports has provided a bridging solution enabling SBR and ELS lodgments from one window since September 2012. 'Anywhere, any time with any computer' is now a reality for Australian businesses meeting compliance obligations to the various government agencies.

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As the B2G concept expands to B2B and G2G the cloud technology with ebMS3.0/AS4 increasingly becomes the right solution.

IMPACT is committed to this development journey and the solution is the GovReports model.

Having successfully lodged ASIC financial reports via SBR with PDF attachment, GovReports is an easy solution for businesses with legacy accounting systems as XBRL or iXBRL can be introduced via SBR.

Connecting the in-house or ERP packages through an API ensures the mandating of SBR lodgment is achievable as it can be implemented.

IMPACT will be ready to manage the demand for services if the process is mandated and will ensure the mandating will cause the least disruption to the reporting community as GovReports will SBR enable the accounting reports generated by the systems businesses already have in place.

This implementation could be in the following phased manner:

- Mandate all listed companies lodging reports to ASX. Transmit the reports to ASX and ASIC in one go in the first reporting period.
- Extend the mandating to the rest of the reporting companies in the following reporting period.

While the market for software solutions to the SBR lodgment challenge is entirely contestable there is an appreciation that mandating will place GovReports in a unique position in the marketplace.

If the Commonwealth considers it necessary for the public interest IMPACT will take Trade Practices legal advice and make any necessary undertakings to the Australian Consumer and Competition Commission to ensure consumers are protected and the public interest is served.

Mandating SBR lodgment of ASIC financial reports will keep SBR in par with the US, UK and other countries already adopting to the XBRL/iXBRL lodgment of financial reports.

As the lead country in developing SBR, IMPACT will help Australia continue to be the trendsetter in the world of statutory and financial reporting.

Sincerely yours,



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Director

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