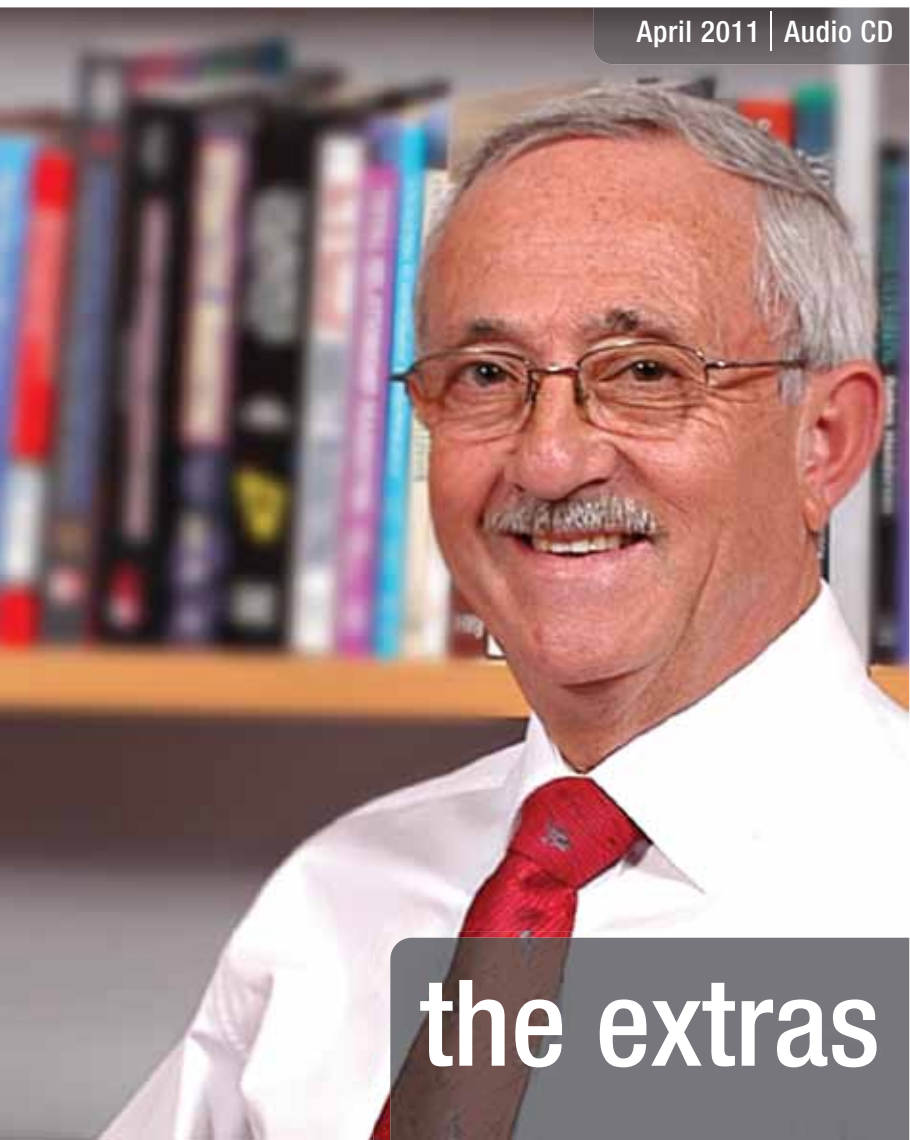


businessessentials[®]

Advice and ideas to grow your business - presented by Nick Schildberger

April 2011 | Audio CD



the extras



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You're thinking of selling your business, but what's it worth? How do you calculate its value to a potential buyer and what ingredients do you put into that calculation? Are you in an industry that's attractive to buyers at the moment, or one which is on the nose? Veteran business broker Peter Schiffan has the answers for us this month. You'll find his insights both thought-provoking and extremely practical.

Economist Professor Neville Norman has had the unenviable task of studying the impact, on our economy and our businesses, of the horrific recent natural disasters in New Zealand and Japan. He gives us his assessment in this program, as well as some early pointers to what we might expect in the Federal Budget, now just over a month away.

Laura Birley of People Dynamics explains the mysteries of salary benchmarking and packaging, while Brandon Stannett from BOQ takes us through the various forms of equipment financing and why it makes sense to separate it from your regular bank borrowing. And we offer two simple rules for success: understand your customers so you can provide them with real value, and make sure your employees are fully engaged in the business. The rules have worked for Neil Tilley, whose Upstream Print Solutions has recorded astonishing growth by doing those things remarkably well. He tells us how it's done.

Also in this edition, some reminders about the dangers of defamation in this fast new world of online communication, and how to boost your presentation skills, also important in the world of business today. And tax expert Michael Jones returns to the topic of excess super contributions, with a ten-point plan to keep you out of trouble with the Tax Office.

It's a bumper program – enjoy!

Regards

A handwritten signature in black ink that reads "Nick Schildberger". The signature is fluid and cursive, with the first name being particularly prominent.

Nick Schildberger
Managing Director

For more information about the topics discussed on this April 2011 program, please contact the relevant organisations listed below.

WHAT'S YOUR BUSINESS REALLY WORTH?

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POLISH UP YOUR PRESENTATION SKILLS

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Accountants Who Help You See Further

Cummings Flavel McCormack are accountants who provide accounting, auditing and business advice to business owners. Cummings Flavel McCormack also provides tax consulting services.

Tax Consulting

Tax law is relevant to every major business and investment decision. Understanding the latest developments in tax is difficult.

The Cummings Flavel McCormack tax consulting practice works with clients to evaluate the taxation risks and benefits applicable to their business and investment plans.

We are proud of our ability to untangle the complexities of tax law to produce commercially practical tax advice that the client can understand and act on with confidence.

We have significant breadth of experience, having worked with successive governments in tax law development and holding key positions on advisory and education committees with professional tax bodies.

David Kent, Michael Jones and Neil Flavel lead a group of dedicated taxation professionals.



CFMC KEY TAX DATES FOR: APRIL AND MAY 2011

21 Apr 11 **Quarter 3 (January - March 2011) activity statements:** final date for lodgement and payment for statements containing a monthly GST obligation.

28 Apr 11 **Quarter 3 (January - March 2011) activity statements:** final date for lodgement and payment.

Quarter 3 (January - March 2011) PAYG instalments: final date for payment for forms R and T.

Quarter 3 (January - March 2011) GST instalments: final date for payment for forms S and T.

Quarter 3 (January - March 2011) Superannuation guarantee contributions: last day for payment to a superfund provider.

21 May 11 **FBT return:** due date for lodgement of 2011 FBT return and payment.

April 2011 monthly activity statements: final date for lodgement and payment.

SUPER CONTRIBUTION CAPS - FINANCIAL YEAR 2011

Contributions	Amount
Concessional (deductible)	\$25,000 < 50 \$50,000 > 50
Non-concessional (non deductible)	\$150,000 or \$450,000

For more visit our website, www.cfmc.com.au

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“He NEEDED FINANCE for a trayback ute but it was a PUBLIC HOLIDAY.”

As a BOQ Owner-Manager, I understand the pressures of running a small business because I run one too.

A local builder came to me with an urgent request to fund a new trayback ute he needed for a big job that started in two days. The application was completed on the spot and approved within hours. The next day was a half day public holiday and he couldn't come to sign the paperwork until after hours. So I stayed back to collect and process the signed documents so that funding could be completed. The customer was able to pick up his ute and get on with his job the next day!

Ask yourself, would your bank do this?

Louise Gooding
Owner-Manager

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THE ESSENTIALS

April 2011

Track 2

What's Your Business Really Worth?

Peter Schiftan, P+S Business Brokers

- It will be a very difficult 12 months, particularly for selling small businesses. Those with \$1 million-plus revenue and good, sustained profits will be sellable, but securing funding is still tricky
- The more profitable businesses at present are in the service sectors: larger trading groups, recruitment, traffic management, rent rolls, IT companies, wholesale import and export companies
- Manufacturing, engineering and retail are down to very low multiples, though some chain retailers are attracting attention from overseas
- Selling restaurants is nearly impossible - there are just too many
- Mergers are becoming more common - we've never been busier with buyer advocacy work, finding businesses that others can bolt on to their existing operations

- Both buyers and sellers today are very smart. Many buyers already have an exit strategy in mind, maybe only 3 to 5 years away. They're looking for businesses with sustained profits
- There are many ways of valuing a business. I look first at EBIT - earnings before interest and tax, then whether the sector is in demand
- What buyers want is a return on investment. If they can't see 25 to 30 percent after everything's taken into account, they'll walk away
- I want to see figures from at least 3 years, audited if possible, plus management accounts for the current financial year
- I advise would-be sellers not to take their eye off the ball once they've decided to sell. It's not sold until the money's in the bank
- Once brokers have valued a business and decided to list it, they will work closely with the vendor to prepare for due diligence and assemble the paperwork
- They also have a duty of care to the buyer to ensure that everything is in order
- Goodwill and brand can add value if a buyer can see that the business has a distinctive place in the market, and sustained profitability, but it's subjective
- The most common mistake people make is deciding to sell too early or too late. When the business is rising, with plenty of potential, that's the time to sell, not when it's plateaued
- And be prepared: don't sit on cash, have your financials in order, proper stock figures, clear contracts and agreements, so that a broker can tell a good story about your business

Track 3

Economic Update

Professor Neville Norman, Melbourne University

- Just after Christchurch, the Japanese earthquake and tsunami. Immediate effects on stock prices, and both immediate and enduring effects on insurance costs. Reinsurance has now reached its limit; premiums will rise
- For businesses in Australia, other effects will probably not be serious or longlasting. Indeed, there may be positive outcomes for some risk consultants, energy consultants and construction firms
- But the international events will add another pro-inflationary factor to energy prices, as will the Federal Government's decision to re-introduce its carbon pricing/carbon tax strategy
- I believe no such tax will get anywhere without bipartisan support, of the kind afforded the North-west Cape Gas Shelf project 20 years ago
- It's cheap politics for the opposition to condemn it, and for the government to make a short-term arrangement with the Greens to push it through
- On the forthcoming Federal Budget, it will be important to look at timing - when the government predicts it will receive revenue from things like the carbon tax
- And when will the government expect to be back in budget balance - likely to be longer now than I've previously forecast, because of international events and some domestic ones
- The government needs more money, so watch out for tax changes - some trimming of the stimulus packages still in effect, and there's a Treasury

push to increase excise on things like tobacco and alcohol

- On interest rates, I still think there'll be one more increase before a decline later in the year
- For business, that means if you're entering a new loan, the case for fixing rates is not too strong. Nor is the case for changing an existing loan to a variable rate
- The Australian economy is growing moderately - not fast enough for me, but fast enough to avoid any risk of a double-dip recession
- But too many people are gloating that Australia had the only developed economy to avoid recession. In fact, most others are now growing faster than we are. We mustn't be complacent

Track 4

Rules Of Engagement: Winning The Hearts Of Staff

Neil Tilley, Upstream Print Solutions

- We're very focused on our customers and how we can add value to them
- We take staff culture very seriously and aim to get everyone engaged in the business
- If people are actively engaged, their performance will improve dramatically
- It's hard to get started but employee engagement takes on a life of its own after a while and becomes very powerful
- Our rules of engagement are mostly about how employees get along with each other

- A simple rule is about rights and obligations in the interaction between employees, and understanding the difference
- Another rule is FiFo, which is all about fitting in: if you don't want to be a part of what everyone is doing and are not actively engaged, this organization may not be for you
- 360-degree feedback is also about honest feedback concerning the behaviour of fellow employees, the things that help make them feel engaged or less engaged, what employees would like to see introduced to make the operation better
- "Bring out the dead" is another concept - actively hunting down issues in the business to find out what's broken
- It allows employees an open mechanism to express what they think is wrong, and often you'll discover things you didn't know about what's happening in the business

Track 5

Salary Benchmarking And Packaging

Laura Birley, People Dynamics

- To make sure you're paying the right salary levels, you need to do internal and external comparisons
- Have a look at salary benchmarking tools such as you'll find from Seek and MyCareer, or AIM
- People will talk about how much money they're getting, so beware paying different amounts to staff doing the same job - there will be perceived inequities
- You mustn't ignore those who don't ask for a pay rise - often they're your best employees

- Salary packaging is often used to attract staff - it's an arrangement whereby you can help employees "buy" with their pre-tax income, reducing their tax liability. Make sure you get the right advice from your professional adviser or accountant
- The ATO provides a list of approved items, such as novated leases, superannuation or childcare
- You need to be aware of Fringe Benefits Tax
- If you have agreed with staff members that you'll review their salaries every year, then it's important to do so or you could be in breach of the contract you signed with them
- Bonuses should be clearly tied to a measurement. If you pay a bonus, you need to explain what it's for
- We recommend that you do performance appraisals on a 6-month basis, followed by a salary review a month later. eg, if you review in March and in September, then you can review salaries in April, ready for your May budgets and costings for the next financial year
- Be conscious of the fact that it's never just about the money and that you need to keep fostering an environment of openness, feedback and good communication

Track 6

Making Sense Of Equipment Finance

Brandon Stannett, Head Of Equipment Finance, BOQ

- Of the 4 kinds of equipment finance, chattel mortgage is the most common. It's a fixed loan secured by the asset. Depreciation and interest costs can be set against tax, and GST is usually reclaimed in the next BAS period

- Under hire purchase, legal title to the asset is retained by the financier until repayment is complete. Similar tax arrangements apply
- A finance lease has similar title arrangements, but the borrower has an option to purchase the asset at residual value when the lease expires. GST is claimed against repayments
- The fourth type is an operating lease, or rental agreement. The borrower's only obligation is to meet the monthly repayments. They can hand back the asset when the lease expires. It's a form of off-balance-sheet financing
- You should talk to your banker, business adviser and/or accountant to determine which best suits your business and the type of equipment involved
- With computers, for instance, many businesses will opt for an operating lease or rental agreement because they'll want to upgrade the equipment during or after the term
- With longer-term or core assets, like a manufacturing line, hire purchase will give the borrower certainty that they'll control the asset when the loan's paid off
- Equipment finance is used by businesses ranging from the smallest to the largest, and on any kind of equipment the business needs
- It works best for businesses which are established and investing in new equipment for growth or to replace existing equipment
- Using equipment finance allows you to retain your core banking facilities to finance growth, investment and working capital
- It also matches the funding profile to the useful life of the asset, ensuring you don't have to finance

the replacement of an asset before you've paid off your bank loans

- Equipment finance is also at a fixed interest rate, providing certainty, and repayments can be structured to fit in with cash flow
- There's flexibility for additional and early repayments, and you don't need to be tied to your existing bank
- Regular bank loans are typically limited to available bricks-and-mortar security. Equipment finance has no such limitation
- Interest rates will vary according to the credit status of the borrower and the type of equipment. Tangible assets with proven resale value will attract lower rates, but they're broadly comparable with other business banking facilities
- Simple loan applications from established businesses may require only minimal paperwork, more complicated ones will involve similar personal and business documentation to a normal credit application
- We're looking to assess the repayment risk, the suitability of the equipment for the business and how we might recover the loan if something goes wrong

Track 7

Legal Watchouts On Defamation & New Media

Paul Brennan, Brennans Solicitors

- There are many ways to defame people using new media:
- Emails provide fantastic evidence for those who have been defamed

- Defamatory comments on your website can cause you grief if you have to take your website down
- You can reach many people by insulting someone on Facebook
- A small but important method of defaming someone is to send a message to their boss, suggesting that the person concerned is dishonest or not a worthy employee
- It's no defence to say you're young, naive, and didn't know you were contravening any laws
- The damages you get for defamation can be in two parts: damages for loss of reputation and hurt, but also the costs of getting your life back on track, which can certainly mount up
- The wider defamatory comments are spread, the greater the damages
- There's also the "grapevine effect" where the comments become more salacious the further down the line they go
- Courts will take into account how long the defamatory comments have continued
- Defamatory comments by an employee can put the business in the frame also. Lawyers look for the deepest pockets.
- Defamation litigation is very expensive, don't take it on lightly
- If you do decide to take it on, gather the evidence rapidly before people's memories fade or witnesses disappear
- Evidence will include other people's reactions to what has been said

Track 8

Tax Update

Michael Jones, Cummings Flavel McCormack

- Michael's 10-point action plan if you've inadvertently overstepped your contribution limit into super:

1. Identify all contributions made during the year (especially where there are multiple employers or defined benefit interests)

2. Check for potential misreporting of contributions by super funds or errors in the individual's tax return

3. Make sure contributions have been allocated to the correct financial year

4. Apply to the Commissioner within the 60-day time limit to have certain contributions disregarded or reallocated to another financial year

5. Check for any non-concessional contributions that are excluded under the exceptions for CGT small business assets and personal injury

6. Avoid additional penalties by ensuring compliance within the time limits for giving a release authority to a super fund

7. Use the release authority that will produce the best tax result under the future application of the proportioning rule

8. Request that the super fund revises an incorrect Members' Contribution Statement - or complain to the Superannuation Complaints Tribunal if the fund refuses to correct it

9. If all else fails, consider objecting against the assessment

10. Put mechanisms in place to ensure the taxpayer does not exceed his or her contribution limits in future years

- Treasury has announced changes to the taxation of trust income that will apply from the 2011 income year
- It will ensure that capital gains and franked income can be streamed to particular beneficiaries
- It will align trust income with tax income

Track 9

Sharemarket Update

Elio D'Amato, Lincoln Stock Doctor

- The recent disasters in Japan, coupled with the continuing political upheaval in the Middle East, have spooked markets here and overseas.
- We expect a downturn intrade with Japan in the second quarter of the year, picking up again as demand for our coal and iron ore lifts again. But beyond that, the outlook is for Japan's longterm economic problems to resurface
- On the plus side, the Chinese economy continues to prosper as evidenced during their latest five-year planning conference, and that's good news for Australia

- In the recent reporting season, major stocks that met expectations included Commonwealth Bank; BHP Billiton; Adelaide Brighton, a construction materials firm, and Boral
- On the downside, Seek, BlueScope Steel and Myer Holdings all disappointed and their share prices dropped
- Our list of Star Stocks is growing, which indicates that the Australian economy and the companies within it are generally doing quite well
- Twenty-three stocks remained on the list, and a very impressive 30 came in, ranging from the big miners to Flight Centre and a small IT company
- Ten companies dropped out, including our much-loved CSL and Woolworths. Several were close candidates, but the rules are strict
- If you're considering selling stocks, look at why you got into them in the first place. Are they a short-term or long-term holding? Did you buy for income, which now may be falling short?
- To help you decide, read company announcements, including the latest financial report, and talk to a broker or adviser like Stock Doctor
- If you're no longer comfortable with the stock, sell, because you may be missing out on other, much better opportunities
- We're still in a two-speed economy: mining and engineering services are outstripping manufacturing and the industrial sector. It's hard to find winners there

Track 10

Polish Up Your Presentation Skills

Andrew Griffiths

- Take the time to really think about your presentation and what you wish to achieve
- Make sure you've done your homework beforehand - it makes a huge difference
- Structure your presentation, think about your opening words (the problem), outline how you can help, what the audience needs to do
- Always arrive early and scope out the venue
- Plan for problems, they're bound to arise
- Have a scalable presentation so that it's easy to reduce if your time is curtailed
- Beware death by PowerPoint - keep PowerPoint visuals simple, you are the main act
- Become a great storyteller - people may forget facts and figures but they'll remember stories long after the event
- Rehearse, rehearse, rehearse
- Learn from others - great or poor
- Avoid coffee or alcohol - a few stiff drinks are not the way to improve your presentation
- Remember one very important fact: the audience is on your side
- The more you present, the better you'll get