



myaccountant

newsletter

BUSINESS FOR SALE

MAXIMISING YOUR BUSINESS VALUE WHEN YOU COME TO SELL

To maximise the value of your business when you come to sell, you need to have a clear understanding of how businesses are valued.

It will also help if you have been planning your departure for some time, to prepare the business so that others can readily see the value that you know is there.

Ultimately any business is only worth what someone else will pay for it, but thorough planning and preparation can ensure you have every chance to achieve top price.

FINANCIALS

Valuation is an art form rather than a science, and any two people will place different values on a business. A common method of valuation is to take the Earnings Before Interest and Tax (EBIT) and multiply it by between 2.5 and 5 times depending on the industry sector in which you operate. In rule-of-thumb terms, this covers the number of years it will take the new owner to get their investment back. (Note that there are a number of other valuation methods which should also be considered).

Naturally, the higher the EBIT the greater the value, but any accountant worth their fees will want to delve into the figures looking for potential income or costs that can significantly alter the EBIT.

For example, salaries paid to family members may be higher than what you would normally pay and removing these will increase the EBIT.

Alternatively, if you have clamped down on overheads to boost EBIT, then the real earnings may be overstated.

Four areas that you might want to focus on, other than personal drawings, to increase EBIT are:

- Getting the balance right between leasing and owning items. Interest payments are not included in the EBIT calculation, while leasing costs are. Conversely, owning equipment you only use occasionally is far more expensive than leasing on an occasional basis.
- Review your suppliers' terms and rates, and look to see if you can improve the margins you are achieving.
- Review all expenditure relating to you as the owner that flows through the business, and seek to eliminate them.
- Focus on equipment repair costs and determine if maintenance can be deferred or if upgrading to new equipment could reduce your costs.

The financials are only one of four major areas we cover in our seminar **Succession and Sales Strategies for Business Owners**.

For example, all of us are very conscious of the difference appearance makes when it comes to selling a home. The same principles apply to selling a business.

If you are thinking of selling your business in the next four to five years, we recommend you give serious consideration to attending our next seminar, and also flag that intention with your regular CTCW adviser.

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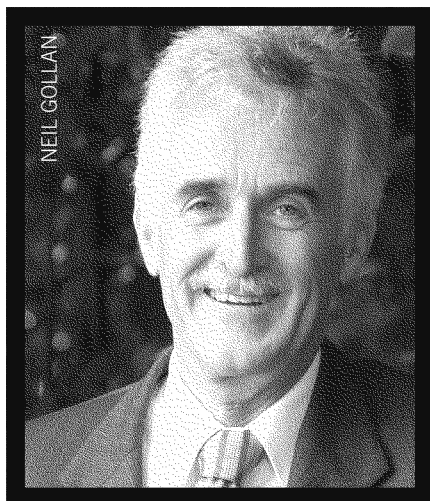
CHRISTMAS BREAK

Christmas is almost upon us! Don't forget, CTCW will be closing for the holidays at noon on Friday 21 December and will re-open on Wednesday 16 January.

For assistance during the holiday season, please call the main office number - A senior CTCW team member will be available on-call.

We invite you to pop into our offices to join us for a celebratory slice of Christmas cake and tea or coffee any time from 10th December onward.

From everyone at Campbell Tyson Cooper White, we wish you a very merry Christmas and a happy start to the New Year.



NEIL GOLLAN

LIVE WITHIN YOUR INVESTMENT RISK THRESHOLD

One of the most tragic financial events of this year has to be the thousands of ordinary people who have lost significant sums of money through the failure of a number of finance companies.

Some people stand to lose their life savings, their retirement capital or significant sums that they can never hope to replace within the remainder of their working life.

Many of those who lost money placed their funds with the finance company they did on the recommendation of a financial advisor. Other investors were attracted by advertisements offering returns greater than that available from trading banks or other institutions with more conservative governance policies.

This tragic scenario brought home yet again the lack of ability many have to make an informed judgement about financial matters. The official name for it is 'financial literacy'.

The State has recently taken two initiatives to assist people in making better investment decisions.

One is through the Securities Commission, which has launched a one-stop-shop for investment information on its website under the "Look Learn Invest" brand. It can be found at www.seccom.govt.nz.

The Retirement Commission has also launched a draft national strategy for financial literacy. Its website, www.retirement.org.nz, is a good place to obtain some basic information.

While these initiatives will assist, investors can do a lot worse than fall back on the common sense approach that has come down through the generations. This involves spreading investments across a range of options such as; on-call funds, term investments, shares and managed funds, and also across different institutions.

So if you want to invest in finance company debentures, take the precaution to spread it across two or three different companies rather than put it all with one, and have it mature at different times.

Before going to a financial advisor, attempt to seek as much information about them as you can from professionals, such as your solicitor or your CTCW advisor. As in all walks of life, the quality of financial advisors will vary across the ability spectrum, and claiming to have expertise is different from possessing or applying it.

Ask your financial advisor what commission or payment he or she will receive from the institution, should you follow the advice provided. It's your money and knowing what your advisor will receive from the other party is information which will help you in your decision making.

Remember, the investment return is the reward you receive for putting your money at 'risk', and the higher the return you are offered, the greater the risk you take. Only go for the level of return that equals the level of risk with which you are prepared to live.

NEIL GOLLAN
DIRECTOR

"REMEMBER, THE INVESTMENT RETURN IS THE REWARD YOU RECEIVE FOR PUTTING YOUR MONEY AT 'RISK', AND THE HIGHER THE RETURN YOU ARE OFFERED, THE GREATER THE RISK YOU TAKE"

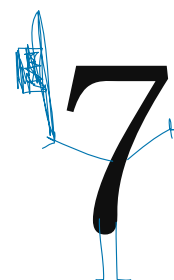
MEASURING YOUR PERFORMANCE AGAINST PEERS

One of the great challenges facing small to medium sized businesses is getting a feel for the success they are achieving with their business.

From their financial statements they know what they have or can take out of the business by the way of salary (drawings) and end of year dividends. But the question remains; how are they tracking against other like sized businesses, or those in the same sector?

Finding out is more simple than many imagine. CTCW has a broad range of benchmarking data available and can also point you in the right direction to find other relevant industry data against which to benchmark your performance.

You're not just a number to us.



CHARTERED ACCOUNTANTS

To find out call 09 238 9219

THE '07 BIKE BASH

This year's Pukekohe Bike Bash on 26 October was another successful day that saw representatives from CTCW get on their bikes and get involved to raise funds and awareness for CanTeen.

Director Glen Beal even managed to demonstrate his community spirit in the push-up challenge – complete with his business suit on!



SENIOR ACCOUNTANT, DIANE MCLAUGHLIN GETTING ON HER BIKE



DIRECTOR GLEN BEAL IN THE PUSH-UP CHALLENGE

GET WITH THE KIWISAVER PROGRAMME

The KiwiSaver scheme is up and operating and it places a great number of obligations on employers.

The following check list is designed as a rule-of-thumb guide to getting you through your major obligations.

1. Appoint someone in your organisation to be responsible for understanding your obligations, and ensuring you carry them out. KiwiSaver is detailed and requires some attention to detail.
2. You must sign up all new eligible employees to KiwiSaver at either 4% or 8% of their salary and give information packs to existing employees who request them. Existing employees have the right to 'opt in'.
3. You must deduct employees' KiwiSaver contributions from their pre-tax wages/salary, and pay it to IRD.
4. From April 1, 2008, you must 'top up' employee contributions by 1% of their total wages/salary. This top up will increase by 1% a year until 2011, when your contribution will be capped at 4%.
5. If a new employee requests to 'opt out' within the allowed time frame, you must act on that request and pass on the information to IRD.
6. Employees have the right to decide who will be their KiwiSaver provider. Employers can nominate a provider to which they will direct employees' contributions if employees do not nominate their own. If neither party nominates a provider, IRD will allocate the employer's contributions to a provider on a random basis.
7. Understand what is defined as wages and salary. The definition is remuneration of any kind, which means overtime, incentives, commissions and bonuses. Check, do not guess.
8. Always have supplies of KiwiSaver information packs on hand.
9. Consider whether you will permit salary sacrifice arrangements.
10. Consider whether you will pay a higher top up rate than is necessary by law.

This check list just skims the surface, but for more detailed information go to www.kiwisaver.govt.nz. If you are in any doubts at all, contact your CTCW advisor.

KNOW YOUR MARKET, AND ACT EARLY

Anyone who has been in business for more than a few years will know that change in the market has the potential to place a great strain on operational success.

Change is inevitable, and is constantly with us as businesses go through the natural ups and downs of demand caused by factors such as the changing economy, the season and people's priorities. It is common place and all businesses learn to live with it. We call it **cyclical change**.

Far more demanding is **structural change**, which can be brought about by the arrival of a new competitor, a completely revolutionary way of doing business or lower priced goods or services entering the market.

Unless a business is flexible enough to respond rapidly to structural change, its very existence can be threatened.

The key to succeeding in the modern environment is to have a good understanding of your market. Know who and why people buy your services or products, and what changes are taking place internationally, nationally and locally, which could have an impact in the future.

How long did it take digital photography to sweep aside traditional photography, the internet to impact on the travel business, or less costly imports to undermine manufacturing enterprises that previously flourished in New Zealand?

While swift, no-one operating in the fields of photography, travel or manufacturing awoke one morning to discover that their business was under threat. The signals, the predictions and the trends were there for some time before the quantum shift occurred.

Everyone in business should spend some time each year planning and preparing budgets for the year ahead. An important part of that planning is analysing the market in which they operate in terms of its size, the share they're getting, the changes, the trends, what threats exist and where new opportunities are likely to come from.

At CTCW we encourage all our clients to commit to business planning, budgeting and business development.

These simple tools provide you with the roadmap to achieving future success, turning your focus away from the more narrow view of the present to take in the bigger picture of what is happening on the horizon of your industry or profession.



GETTING IN BEHIND MOVEMBER

CTCW's men got into the swing of Movember with great gusto and much friendly rivalry!

Remembering that growing 'mo's' was not just for fun, but to raise awareness about Men's Health, the ladies of the firm decided to raise money for the good cause by offering the judging services of a Professional Mo Grower - our own Neil Gollan who already had a very impressive moustache and was therefore eliminated from the competition!

Statistics repeatedly show that men are far less healthy than women and the average life expectancy of a man in New Zealand is 4 years less than a woman.

THE OBVIOUS QUESTION IS WHY?

The answer is because men lack awareness about the very real health issue they face, have an attitude of "she'll be right" and are reluctant to see a doctor about an illness or to go for regular medical checks.

The aim of Movember is to change these attitudes, make male health fun by putting the Mo back on the face of New Zealand men and, in the process, raise some serious funds for the number one male health issue; prostate cancer.

Every year in New Zealand, 2,656 men are diagnosed with prostate cancer and about 600 die of the disease, making prostate cancer the second largest cause of male cancer deaths, after lung cancer.

Movember is very proud to be partnering with the Prostate Cancer Foundation of New Zealand [www.prostate.org.nz].

POWERFUL SEMINAR SERIES

For those that agree with the maxim that there is greater value to be gained from working 'on the business' rather than 'in it', then attendance at CTCW's 2008 business seminars will represent a great investment.

Each seminar is presented by one of our directors, where appropriate with a specialist external business partner.

From February, we will hold at least one seminar a month through to November.

The draft programme for 2008 is:

February	Results - The Sales Process
4 March	Small business taxation
26 March	Build Yourself a Better Business
8 April	Record keeping
21-24 May	Franklin small business expo
10 June	Costing and pricing
23 July	Research & Development, and tax opportunities
12 August	Financial management
September	ANZ Economic update
14 October	Succession and sales strategies for business owners
4 November	Growth through acquisition

For some of the seminars we charge a modest fee of \$30 to cover costs. Most seminars start at 5.30 pm. If you are interested in more details, contact your normal CTCW advisor.



CHRISTMAS PARADE

After scooping first prize for their Wizard of Oz themed float at last year's event, CTCW will be pulling out the stops to retain their crown at this year's Pukekohe Christmas parade.

Look out for photos in our next newsletter!

DIRECTOR PAUL MUIR ON THE TRUCK, ALONG WITH FELLOW DIRECTORS, NIGEL HICKS, NEIL GOLLAN, PETER RAYNES & GLEN BEAL CAN BE SEEN HERE IN THEIR FULL COSTUME GLORY!

RUN THAT BY ME AGAIN...

LOWER BUSINESS TAX:

For business, the magic day is April 1. That is when company tax drops from 33 cents to 30 cents in the dollar. Before the start of the new tax year (and for many their financial year) it would be advisable to have a discussion about taxation with your CTCW advisor. This should cover the implications of the new rates on your business, provisional and personal tax.

Personal tax rates remain unchanged:

Up to \$38,000	19.5%
\$38,001 to \$60,000	33%
Above \$60,000	39%

IMPUTATION CREDITS:

Those companies with imputation credits based on a 33% tax rate will lose the additional

3% imputation if the credit is not 'used' within 2 years. There is no requirement to use the remaining 30% by any specific date.

KIWISAVER:

Company owners can become part of the KiwiSaver scheme provided their employment relationship with the company is properly structured and documented. Talk to your CTCW advisor about this.

INVESTMENT TAX CHANGES:

From last October new tax laws came into effect for certain types of investments, particularly those known as PIEs (Portfolio Investment Entities). Ensure you discuss this with your CTCW advisor or investment advisor.

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