



Greg Farrow, partner

With the New Year now upon us, we look to what 2011 will bring. Immediately our thoughts turn to the flood affected States of Queensland and Victoria and to those who have lost loved ones and property. The hardships they have to face to get back some semblance of normal life shows immense courage and strength. Our thoughts are with them.

On a more local level, there have been some changes at Farrow Wyatt. We have welcomed six new recruits to the firm.

- Nathan Carr joined us in December last year from a firm in Newcastle and having completed his Bachelor of Commerce at the University of Newcastle.
- Alison Blackham has joined our Superannuation Team this year having completed her Bachelor of Commerce last year at the University of Newcastle.
- Thomas Bowe joins us whilst studying his Bachelor of Commerce at the University of Newcastle. He has already completed a degree in Science.
- Katherine Bradley joins as a trainee having completed her HSC at Hunter Valley Grammar School.
- Sallianne Buttsworth also joins us as a trainee having completed her HSC and has relocated from Port Macquarie.
- Nicholas Tam joins us having completed his HSC at Maitland Grossman High School.

We are very excited to have such a high calibre of trainees join the firm. We welcome them all and wish them luck in their career at Farrow Wyatt.

I would also like to mention a further change at Farrow Wyatt. Michelle Whatham has commenced work from our expanding Singleton office.

Michelle is a highly esteemed manager with significant experience in the areas of tax consulting as well as preparing income tax returns, financial statements and business activity statements for individuals, partnerships, trusts, companies and superannuation funds. She has been working for Farrow Wyatt's Maitland office since 1999 and has serviced a wide range of clients including those in the mining and construction industry, transport, health care, legal, retail, real estate, property development, professional services and primary production.

Michelle, I know, is relishing this opportunity.

For the rest of the year, we look forward to working closely with you and wish you all a happy and prosperous New Year.



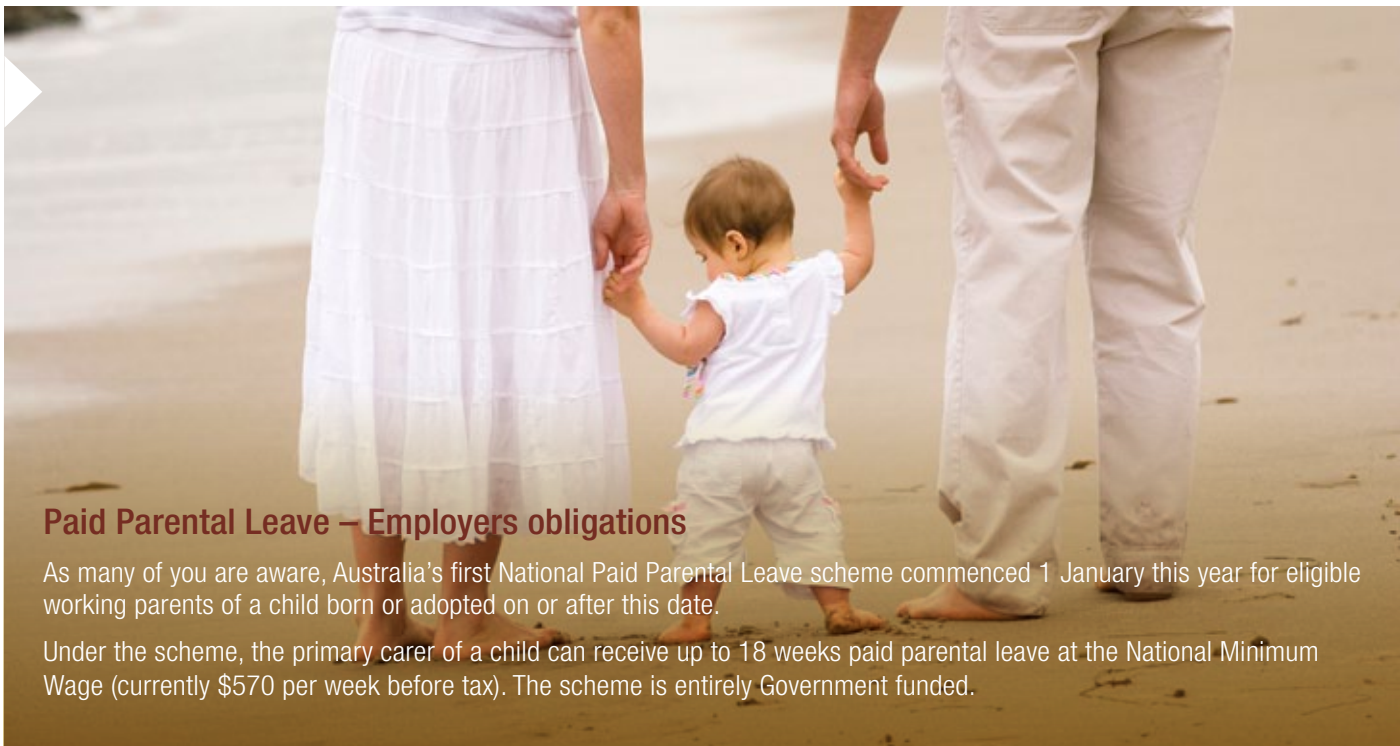
Nicholas Tam, Sallianne Buttsworth, Thomas Bowe, Katherine Bradley, Nathan Carr, Alison Blackham

How to maximise the value of your business

In the last newsletter we looked at the most common methodologies used to value a business. We now will focus on the factors that drive the value of your business, and how you can control the growth in value of your business.

The valuation of a trading business is generally determined using the capitalisation of future maintainable earnings methodology, which is calculated as future maintainable earnings times an earnings multiple. It would be reasonable to say that the easiest way to increase the value of the business is to increase the profits/earnings of the business. CORRECT. It would also be reasonable to say that the easiest way to increase profits is to work harder in your business, right? WRONG, this may actually work against increasing the value.

cont. page 3



Paid Parental Leave – Employers obligations

As many of you are aware, Australia's first National Paid Parental Leave scheme commenced 1 January this year for eligible working parents of a child born or adopted on or after this date.

Under the scheme, the primary carer of a child can receive up to 18 weeks paid parental leave at the National Minimum Wage (currently \$570 per week before tax). The scheme is entirely Government funded.

Employee eligibility

Most working parents, including full-time, part-time, self employed, casual, contract and seasonal employees may have access to Parental Leave Pay provided they meet the eligibility criteria in relation to income, work and residency requirements, as below.

- The primary carer can not have earned more than \$150,000 (to be indexed) during the previous financial Year.
- Must have been engaged in work for at least ten of the previous 13 months prior to the expected birth or adoption of the child, and have undertaken at least 330 hours (approximately one day per week) during that 10 month period.
- Must meet the Australian residency test.
- Primary carers participating in the scheme will not receive the baby bonus (except in multiple birth cases) or Family Tax Benefit Part B whilst they are receiving parental leave pay.

Employer responsibilities

The Federal Government's Family Assistance Office (FAO) will administer the scheme.

For the period 1 January 2011 to 30 June 2011 the FAO will make the payments directly to the employee. However, from 1 July 2011, employers will be required to administer the payments to eligible employees. The FAO will pay the employer who must pass the payment onto the employee. If payments are not received from the FAO, the employer has no obligation to pay the employee.

Employees will be required to lodge their claim for Paid Parental Leave with the FAO, and if successful, the nominated employer will be notified if they are required to start making payments.

Payments can be received from the FAO to coincide with the employer's pay cycle. Parental leave pay should be taxed at the appropriate PAYG amount.

Employers are not required to make superannuation contributions in respect of parental leave pay and do not have to separately identify the payments on annual financial statements. However, it is likely that the payments will need to be accounted for separately from other payroll amounts for superannuation and workers' compensation purposes.

In most cases it is unlikely that an employer will be able to use the Government's new scheme to offset any existing paid parental leave schemes.

It is important that employers familiarise themselves with their obligations under the Paid Parental Leave scheme and consider any changes to their payroll systems prior to 1 July 2011. Further detailed information about the scheme can be found in the "Employer Business Requirement Statement" on the FAO website at www.familyassist.gov.au

- *The scheme is Government funded and available to eligible working parents of children born or adopted on or after 1 January 2011*
- *The amount is paid at the National Minimum Wage currently \$570/week, for up to 18 weeks*
- *Full-time, part-time, self-employed, casual, contract and seasonal employees may have access to the scheme*

Business essentials for business leaders

Farrow Wyatt is pleased to offer FREE to all small to medium business owners and managers, a series of workshops entitled Business Essentials.

As business owners you know, more often than not you are working in the business rather than on the business. To help you, Farrow Wyatt has developed a series of 'hands-on' workshops to allow you to step back and focus on important factors that will assist you to grow and achieve your business goals.

Topics covered will be on: Business planning; Understanding your financial statements and businesses' health; Managing your cash flow; Succession planning; Tax planning and others.

The Business Essentials workshops will take place at Farrow Wyatt every three months and are limited to 15 guests. So you will need to book early to ensure your place.

Formulating a Plan for the Future

The first in the series will be on business planning. Many business owners go into business with the dream of taking control of their life to build freedom, wealth and a great lifestyle. The sad part is that many get too involved in working in their business and lose sight of working on their business. Join one of our partners, Scott Edden, for an enlightening look at the business planning process and what this can do for your business, finances, time and lifestyle. This practical workshop will cover financial aspects, operational efficiencies, people and formulation of achievable goals.

Date: Wednesday, 9 March

Venue: FW Boardroom, 20-22 Church Street, Maitland

Time: 5.15 for a 5.30pm start, concluding at 6.30pm

Light refreshments will be provided

To book your place, email
kateburls@farrowwyatt.com.au



Scott Edden

cont. from page 1

The purchase of a business is an investment decision. It is not about buying a job. Therefore, the business needs to be profitable, commercial and ideally needs to operate without the business owner working excessive hours "in" the business (if at all).

Working "in" the business versus

working "on" the business is an area which will be covered in a later newsletter and some upcoming seminars on business planning.

The best way of increasing the value of a business is as follows:

1. Increase the maintainable profits through proper business planning
2. Increase the earnings multiple

Generally the first method is the easiest to control due to the subjective method that many purchasers use to determine their upper limit of earnings multiple. Some of the factors that affect the multiple (that are within your control) include:

- History of consistency and quality of earnings
- Capacity for growth
- Well-established competitive advantage
- Fully documented systems/ procedures such that the business can operate without the owner

As discussed above the easiest way to increase the value of your business is to increase the future maintainable profits. To explain my point let me show you an example of a spare parts business that made some small changes to its business in an attempt to improve profitability.

	Before	After	% increase
People entering store per week	100	110	10%
Customer conversion rate	25%	27.5%	10%
Average weekly customers	25	30	20%
Annual customers	1,300	1,560	20%
Average no of visits per year	4	4.4	10%
Average \$ spend per visit	\$200	\$220	10%
Turnover	\$1,040,000	\$1,510,000	45%
Profit margin	10%	11%	10%
Net profit/earnings	\$104,000	\$166,000	60%
Earnings multiple	3	3	Nil
Business Valuation	\$312,000	\$498,000	60%

Through early business planning and some small changes to the way you conduct your business, (mostly surrounding the increase in sales leads and customer conversion rates) you too may be able to increase the value of your business for a potential future sale.

Please contact Scott Edden should you wish to discuss how this may apply to your business.

Super way to build your wealth

The four C's of superannuation - Consolidate, Contribute, Choice and Cover will help you build your wealth.

»» Consolidate

Consolidating your super is a simple step that could make a difference to your super savings - and helps make keeping track of your money easier.

If you've ever changed jobs, chances are that you've got more than one super fund. By putting all your super money in one fund you could:

- Pay just one set of fees and charges, which could save you money.
- Make managing your super easier. One fund means one set of paperwork to keep track of, and more time for you to do the things you want to do.

It's important to do some research before you decide whether or not to consolidate your super funds.

Contact your funds and find out what your current benefits are, and what will happen if you transfer your money to another fund. Make sure you find out if you'll be charged transfer, withdrawal or exit fees.

Compare the fees charged, investment options, insurance cover and other features available in your main fund to those in your other funds. You should include all fees that may be charged when you transfer to another fund.

If your current funds provide you with insurance cover, find out what will happen to the cover when you transfer. Importantly, before ceasing cover in any fund, check whether you will need to provide evidence of health to commence cover or increase your cover in another fund.

Once you have all this information, you're in a good position to decide whether it's better for you to transfer or not.

»» Contribute

The compulsory 9% superannuation guarantee payment employers make on your behalf may not add up to as much as you need in retirement. One thing is sure – you cannot have a superannuation balance that is too big. Remember, when you access your money from a taxed super fund after age 60, all withdrawals will be tax-free.

Here are some tips on making the most of your contributions:

Boost your balance with Government help: Depending on how much you earn, you might be eligible to receive extra super contributions from the government if you make additional after-tax contributions yourself.

Sacrifice – for benefits now and later: A particularly tax-effective way of putting money into super is contributing from your pre-tax salary in an arrangement with your employer known as Salary Sacrifice. You agree to draw less of an income now and have it go into your super fund instead. Salary sacrifice contributions are subject to the concessional contributions cap.

Take a fresh look at your mortgage repayments: Instead of pouring all your money into your home loan, it may be more effective to put the money into super (where you may pay less tax), and then pay the mortgage off once you retire.

Non-concessional contributions: These are 'after-tax' contributions which can be made into superannuation. There is no contributions tax in a financial year as long as the amount of after tax contributions in that year is below the non-concessional contributions cap. The non-concessional contributions cap is currently \$150,000. If you are under 65 on 1 July of the financial year you are able to average and "bring forward" the next 2 years' worth of contributions into the year you are in – allowing you to contribute \$450,000, but nothing for the next 2 years without exceeding the cap.

Transition to retirement income swap: once you have reached preservation age, this a great strategy for making your super work harder in those all-important last few years of work.

»» Choice

Superannuation can seem a complicated topic. People often don't know where to start, and they're not convinced that taking charge would actually make a difference.

Yet the reality is that some of your key choices or decisions could make a significant difference to your super in the long-term. You should consider:

- Choice of fund: how do you select the right account for your super investment?
- Investment mix: what's right for you?
- Retirement options: what are your retirement funding options, and how can you minimise tax and make the most of government benefits?

» Cover

When you pay for your insurance through your super fund, you may benefit from tax concessions. This means insurance via your super can be a cost-effective and convenient way to make sure you're covered.

Depending on your super fund:

- you can have temporary salary continuance (also called income protection), total and permanent disablement and death insurance cover
- as with insurance outside of super, you can apply to increase or add cover to suit your current situation. You may need to provide some information on your health and financial situation.
- you can organise to pay your insurance premiums from pre-tax super contributions, instead of using your take home pay which has been taxed at your marginal rate
- if you are making super contributions through your employer's default super fund, it is likely your employer will have automatically negotiated some cover for you. As this automatic level of cover is not tailored to your situation, it may not be enough. However, you may be able to apply to increase your cover, and depending on the level of additional cover applied for, you may not be required to provide evidence of health.

The issues can be complex and it is important to ensure you have the right type and level of cover.

A qualified financial adviser can help you to work out what cover you need and whether paying for your insurance through your super fund is right for you.

NOTE:

The information in the above article has been provided by Farrow Wyatt Financial Services and is of a general nature only. Any advice is not based on your objectives, financial situation or needs. Accordingly you should consider the appropriateness of any advice to your personal circumstances before acting on the advice. The information in this article is current as at March, 2010 and may change over time.

Farrow Wyatt Financial Services Pty Limited, ABN 77 003 323 055 is an Authorised Representative of Hillcross Financial Services Limited, ABN 53 137 912 666, AFS Licence No 232705, which is part of the AMP group of companies. If you decide to purchase or vary a financial product, your financial adviser, Hillcross and other companies within the AMP Group or associates of Hillcross will receive fees and other benefits.

Please contact Jennifer Leslie to find out how you could benefit from the wealth management services offered by Farrow Wyatt Financial Services.



Jennifer Leslie

Is a Self Managed Superannuation Fund right for you?

Farrow Wyatt is hosting a series of seminars, free of charge, for those interested in finding out about the benefits of Self Managed Superannuation Funds (SMSFs).

The first in the series will present the basics of SMSFs. If you feel disconnected from your current superannuation fund or frustrated at the lack of easy to understand information provided by your fund then a SMSF may be a viable alternative. To find out if a Self Managed Super Fund is right for you this seminar should not be missed.

Date: Thursday, 7 April

Time: 5.30pm – 6.30pm

Venue: Mercure Maitland, The Hunter Room, 11 Denton Park Drive, Rutherford

Light refreshments will be provided.

Bookings essential as seating is limited.

To book your seat, email kateburls@farrowwyatt.com.au

Need help with your business' direction?



With the new calendar year upon us, now is a good time for business owners to take stock of their businesses to ensure it is on the path to achieving its goals.

More often than not, business owners find themselves bogged down in the day-to-day operations of the business, unable to find opportunity to step back in order to consider the big picture and plan to meet medium and long term business goals.

Farrow Wyatt has developed a specific product to help small to medium business owners do this. Known simply as The Business Direction Model (BDM), the model is a powerful tool comprising of a suite of modules assisting business owners to analyse their current situation, review goals and visions and develop the control and focus they need to achieve these goals.

The BDM provides a thorough analysis on the following areas:



The model acts as a business tool that engages the business owner and its management in a series of modules (or a particular module) whereby one of our Business Direction partners will gather in-depth, strategic information simply by asking the right questions in a matter of a few hours.

Using the expertise within Farrow Wyatt, we will then be able to help you prepare a plan to address the areas of opportunity or those requiring attention in order for you to achieve your business goals.

“The Business Direction Model is a package that aims to give business owners a detailed snapshot of their business and provides a professional analysis of the business with useful information in terms of business direction in order to achieve the visions and goals set for the business” says Farrow Wyatt partner, Geoff Thompson.

For further information on the Farrow Wyatt Essential Business Development Model or for an initial discussion on how this product may help your business, contact Geoff Thompson (geoffthompson@farrowwyatt.com.au) or your Farrow Wyatt adviser.

Staying solvent

The ATO are proposing to extend Director Penalty Notices to include Goods and Services Tax liabilities. Therefore, it is more important than ever for businesses to address solvency issues early.

The proposed changes

Currently, the ATO issues notices to directors of companies with outstanding PAYG withholding tax debts but the proposals suggest this could be extended to make directors personally liable for their companies' indirect tax debts, including the GST. In addition, the Inspector-General of Taxation has recently suggested that directors be personally liable for companies' superannuation guarantee payments.

These potential changes come 'hot on the heels' of changes already made to Director Penalty Notices, introduced on 1 July 2010. The ATO previously allowed the company 14 days to remit payments before they commenced recovery proceedings. This has now increased to 21 days which is not negotiable and starts from the date the notice was posted, rather than the date it was received by the recipient. The court also has no power to grant relief to a director from their obligations in respect to a Director Penalty Notice.

In an attempt to 'step up' the recovery of debts, these recent proposals to extend Director Penalty Notices, supported by a Senate committee report into the insolvency industry, could have a profound effect on company directors. Therefore, directors should act quicker in addressing early warning signs to avoid insolvency.

Protecting your business

With cash-flow problems at the heart of most insolvencies, directors can take preventative action by dealing with debtors and creditors more effectively. Below are some tips:

Debtors

1. Include due dates on your invoices – not just 14 days from date of invoice, for example, but the actual date the payment should be made by.
2. Allocate someone away from the billing process to chase debts.
3. Stop trading with someone who owes you money beyond 60 days (or trade on a C.O.D. basis).
4. Credit check businesses before dealing with them via Dun and Bradstreet – even friends. It's not fool-proof but you need to apply some vigour to debtors - credit checks are the first step.
5. Use an external debt collector and bring them in after 60 days, adopting no sentimentality.
6. Charge interest on all outstanding debts.

Creditors

1. Pay them something. Most creditors become more lenient when they see you are making an effort.
2. Communicate with your creditors and reach an agreement to a payment arrangement that suits you better.
3. Agree the payment terms up front.
4. Prioritise the creditors you need the most

By getting on top of debtors and creditors and adopting other cash-flow management strategies such as establishing regular KPI reporting, directors can protect their business from insolvency and themselves from additional personal penalties.

Is your accountant asking the right questions?

At Farrow Wyatt we believe it is critical that taxation matters are not accepted at face value. The tax laws can be extremely complex and ever-changing. Often it is only through more thorough consideration of the issues and questioning clients in relation to background facts that the most effective outcome can be achieved.

In a recent situation, a businessman came to Farrow Wyatt for a second opinion in relation to a capital gains tax matter. He had been advised that he would be liable for tax of approximately \$145,000 in relation to the sale of a property and that the small business CGT concessions would not apply in his circumstances.

With thorough questioning and consideration of the situation we were able to determine that all of the facts had not been considered and the client was entitled to use the small business CGT concessions. This resulted in the capital gains tax liability being reduced to nil. Had the client not sought our advice, he would have very likely ended up paying an unnecessary and substantial capital gains tax bill.

Please speak to our Farrow Wyatt tax specialists if you would like a review of your tax circumstances.

Farrow Wyatt Warriors

The Farrow Wyatt Warriors went into battle at the Play-Wel for Mai-Wel corporate sports day on 18 November last year. Although not victorious, the day was a lot of fun and allowed local businesses to get involved and show their support for The Mai-Wel Group.



The Farrow Wyatt Warriors team: Scott Edden, Kate Burls, Paul Guttridge, Wayne Russell, Julie Mavay, Belinda Bignell, Nichole Short and Tim Bull and was managed by Jennifer Leslie.

Key tax dates

DATE	CATEGORY	DESCRIPTION
21 February	Activity Statements	January 2011 monthly activity statements: final date for lodgment and payment.
28 February	Superannuation	Superannuation guarantee charge statement - quarterly (NAT 9599, PDF 136KB) (if required contributions were not made by the due date) for quarter 2 2010-11 (1 October - 31 December). The SGC is not tax deductible.
28 February	Activity Statements	Quarter 2 (October - December 2010) activity statements: final date for lodgment and payment, including electronic lodgments.
28 February	GST	Superannuation Guarantee Charge Statement - Quarterly (NAT 9599) (if required contributions were not made by the due date) for quarter 1, 2010-11 (1 July - 30 September 2010). The SGC is not tax-deductible
28 February	PAYG instalments	Quarter 2 (October - December 2010) instalment notices – forms R and T. Final date for payment and, if varying the instalment amount, lodgement.
28 February	GST instalments	Quarter 2 (October – December 2010) instalment notices – forms S and T. Final date for payment and, if varying the instalment amount, lodgment. Four-instalment payers to pay a further 25% of their instalment liability.
28 February	Income tax	Income tax return lodgment and payment due date for self-preparing entities that were not due at an earlier date
28 February	Income tax	Income tax return lodgment and payment due date for large/medium business taxpayers and self-managed superannuation funds (taxable and non-taxable) that are new registrations.
28 February	Income tax	Income tax return lodgment due date for large/medium business trust clients that were non-taxable in the prior year (includes new registrants).
21 March	Activity statements	February 2011 monthly activity statements: final date for lodgment and payment.
21 April	Activity statements	March 2011 monthly activity statements: final date for lodgment and payment.
21 April	Activity statements	Quarter 3 (January - March 2011) activity statements containing a monthly GST obligation: final date for lodgment and payment.
21 April	Activity Statements	Quarter 3 (January - March 2011) consolidated instalment activity statements: final date for lodgment and payment by a head company of a consolidated group.
28 April	Activity Statements	Quarter 3 (January - March 2011) activity statements: final date for lodgment and payment.
28 April	PAYG instalments	Quarter 3 (January - March 2011) instalment notices – forms R and T. Final date for payment and, if varying the instalment amount, lodgement.
28 April	GST instalments	Quarter 3 (January - March 2011) instalment notices – forms S and T. Final date for payment and, if varying the instalment amount, lodgement.
28 April	Superannuation	Last day for superannuation guarantee contributions to be made to a superannuation provider for quarter 3 2010-11 (1 January - 31 March). If an employer does not make the minimum superannuation guarantee contributions for quarter 3 by this date, they must pay the SGC and lodge a Superannuation guarantee charge statement - quarterly (NAT 9599, PDF 136KB) with the ATO by 28 May 2011. The SGC is not tax deductible.
30 April	Superannuation	Superannuation Guarantee Contributions for quarter 2 (1 October - 31 December 2010) to be made to fund by this date.