

# LAWLERlink

A quarterly publication outlining relevant business issues for you

[www.lawlerpartners.com.au](http://www.lawlerpartners.com.au)



## Welcome

from the Managing Director

Keeping in line with our focus of enhancing the services we provide to clients, Lawler

Partners has many new developments to share with you since our last issue.

In May, Lawler Partners Business Advisory Team welcomed Andrew Beattie as Senior Manager in Newcastle. Andrew has been working with the Westpac Bank Corporation for the past five years where he held the position of Senior Business Banking Manager. He brings a wealth of experience and knowledge of working in public practice and is committed to a long term career in Chartered Accounting.

Our Sydney Business Advisory Services Team also welcomed a new Senior Manager to their team, Sam Kontogiorgis. Sam commenced on the 28th May and has had considerable experience in the profession, both with the Big 4 and in smaller firms. He will further strengthen the Sydney team and also assist in developing the many talented accountants in that office.

We welcome both Andrew and Sam to the firm and look forward to a long future working with them.

On 8 May 2007, the Federal Budget was delivered by the Treasurer reporting a \$10.6 billion surplus. Contained within the Budget was further investment in the education sector along with increases to funding for child care assistance, transport and water infrastructure. The Budget did include some changes to taxation such as personal income tax however, these were no where near as significant as was seen in the 2006 Budget. Please refer to our website for a more comprehensive review of the taxation changes and the opportunities that arise as a result.

I am happy to announce that Lawler Partners will be the sponsor for the next 2 years of the New South Wales Institute of Sport Awards - Career Development category at their annual awards dinner held each November. This is an exciting opportunity for Lawler Partners, which allows us

to contribute support to our upcoming future stars and also give them an opportunity to meet with business and community members.

A further initiative in supporting career development is the firm's 2008 undergraduate/graduate program, the Lawler Reach Program, which focuses on assisting rising accountants and advisers in achieving their career goals. The program was launched on 30 May 2007 at an information evening for potential recruits with Partners, staff and our special guest and client, Layne Beachley.

The launch was fantastic, at which over 40 potential candidates attended to gain further insight into the service areas, opportunities and future growth of Lawler Partners. I would like to take this opportunity to personally thank everyone that assisted in organising and implementing this successful initiative and we look forward to welcoming our new recruits in January 2008.

Lawler Partners is committed to contributing to our community and are proud to once again be the major sponsor of the Hunter Valley Winery Running Festival. The festival will be held on Sunday, 22 July 2007 at the Hunter Valley Gardens and will feature Lawler Partners sponsored athlete and last years female marathon winner, Kirsten Molloy. Further information on the event can be found on page 2. This is a wonderful day and experience for everyone so we encourage you to come along and join us in the fun.

Speaking of fun - when you are next at The Rocks in Sydney city, we suggest you take the time to see the newly renovated 'The Argyle'. This great venue is a further expansion by our client, the Bavarian Hospitality Group ('BHG'), and we offer our sincere congratulations to John Szangolies and the whole BHG team.

Kind regards and thankyou for your ongoing support.

**Terry Lawler**  
Managing Director

## In this Edition

<b>Innovation</b>	<b>2</b>
Hunter Valley Running Festival	
<b>Client Care</b>	<b>3</b>
SOS Print and Media Group	
<b>Happenings</b>	<b>4</b>
2008 Lawler Reach Program	
<b>Superannuation</b>	<b>5</b>
It's Official	
<b>Forensic Accounting</b>	<b>6</b>
How Much Is Your Business Worth?	
<b>Taxation</b>	<b>7</b>
The New Small Business CGT Concessions and Structuring Implications	
<b>Tax Calendar &amp; NHJC Dinner Forum</b>	<b>8</b>





## Running, Tourism and Lifestyle

Lawler Partners will once again be the major sponsor of the innovative Hunter Valley Winery Running Festival featuring the Region's only marathon event. The Festival is being organised by Race Director and local running enthusiast Paul Humphreys, and will be held on the 22nd July 2007 with Hunter Valley Gardens being the race headquarters off Broke Road, Pokolbin.

**In its second year, the Lawler Partners Hunter Valley Running Festival has been given the thumbs up by National Athletics officials after being given official Certification of the accuracy of the Marathon, Half Marathon, 10km and 6.25km courses.**

After some fine tuning of the 2006 course, Mr Humphreys said the course still maintains the unique character that is difficult for city based events to match. This includes quiet rural roadways, cycle tracks and outstanding scenery. "It's not everyday that you get to race in such a unique environment with the event running through part of the beautiful Hunter Valley

Gardens and past some of the Hunter's most famous wineries and resorts", said Humphreys.

With the newly accredited courses, a high tech chip timing system and winery backdrop, it is no wonder that news of this event is making its way to overseas competitors. Entries have already been received from Switzerland, England, Hong Kong, New Zealand and the USA, with the events unique location and course giving recreational runners plenty of reasons to include this event in their itinerary when travelling to Australia.

The marathon will be run on a 2 loop, 21.1 km course utilising cycle ways and roads around Broke, Ekerts, Thompson, Debeyers, and McDonald's Roads. Having spent many hours on the course design and with the experience of 2006 under his belt, Mr Humphreys feels that while the course is not easy, it has a great mix of vineyards, wide open spaces and challenging terrain.

One certain entrant is last year's female marathon winner and Lawler Partners sponsored athlete, Kirsten Molloy (pictured above). Her win in the inaugural marathon at the Hunter Valley Winery Running Festival was just

the start of an incredible year for Kirsten which has included being crowned World Champion last November in Canberra at the World Championships, and recently winning a place to compete in the World Ironman Championship event held in Hawaii in October this year.

Kirsten said that going to the championship in Hawaii has been a dream of hers since she was 12 and to have this opportunity is truly incredible.

"The kick start for me was winning the female marathon event at the Running Festival last year. Training while working full time is difficult for athletes but it makes it all worthwhile when local companies such as Lawler Partners get behind events such as the Running Festival so that we can race locally and see how we measure up to other athletes."

Everyone at Lawler Partners looks forward to seeing Kirsten defend her title this year at the Festival and supporting her as she competes in Hawaii.

We encourage our clients and colleagues to also join us for the Festival and look forward to seeing you there.

For more information about the Festival or on line entries, contact Paul or Hanne Humphreys on 02 4934 8138 or [paul@hevents.net](mailto:paul@hevents.net) or go to [www.huntervalleymarathon.net](http://www.huntervalleymarathon.net)



# Customer Satisfaction Through Technology

**LawlerLink talks to SOS Print & Media Group, a versatile print and communications company that combines commercial and digital printing services, a significant in-house bindery, warehousing, a pre-press department and IT services to provide customers with a broad range of products and services.**

SOS Print & Media Group was established in 1976 as a small offset print operation in the Sydney CBD. The Directors had a common background in laser printing and they also shared a vision of combining technology and customer service. It wasn't long before they saw opportunities in the fast print market and by 1982 opened a factory in Chippendale and subsequently moved to a larger factory at their current address at Alexandria.

Today, the group has grown to one of the largest privately owned printing companies in Australia, employing 110 full time staff, and with Sydney revenues exceeding \$25 million.

SOS is now a sophisticated multi process printing and media organisation that offers offset and digital printing as well as the full spectrum of bindery, finishing, warehousing, kitting and distribution along with design and pre-media services. The business has three production locations in Sydney and Brisbane.

Through the innovative use of technology, they have grown from a small on demand printing operation to a major company with partnership arrangements both in Australia and overseas.

The Group is no stranger to technology, with its founders among the first to appreciate the need for print on demand in the 1970s, having observed the quick print trend overseas. They were also the first printer in Australia to construct a website that was used for customer communication and file distribution.

"Our customers present to us a wide range of needs which we have been able to solve by our successful utilisation of technology," says Director Michael Schulz.

Investment in technology offers us better productivity and better quality, enabling us to expand those services with economic gains to ourselves and our customers."

SOS installed a 10 colour Heidelberg offset press and a 10 colour Xeikon digital laser printer in 2006. The press is mostly dedicated to magazine production and the Xeikon is able to produce all kinds of colour documents including banners and poster type products (such as one recent production of 400 20 metre long posters for a fashion chain). SOS have now taken delivery of the first super fast Océ VarioPrint 6250 digital production press installed in Australia which is already creating unsurpassed turnaround times.

The new technology has enabled valuable time-saving gains, particularly in the printing of the time-critical financial reports it produces each night for a variety of financial institutions.

Michael Schulz says that today's customers are aware of technical innovation and they are becoming highly demanding in terms of quality and speed. "Equipment such as the Océ VarioPrint 6250 enables us to meet and even surpass customer expectations".

**Sam Mappis, the Group's Financial Controller, also believes that IT is at the centre of the company's business success. Their IT division specialises in developing e-business front ends and facilitating customer communication.**

"Clients are able to purchase their own personalised print online by compiling their catalogues via a web browser, and tailoring information as specific as an expiry date on

a special offer." The IT team also adds to the businesses bottom line by providing SOS clients with IT specific advice and services in their own right.

SOS Print & Media Group has been a client of Lawler Partners Director Bob Bell, since 2003 and were referred by an associate. Since that time Bob and his team have assisted on an organisational level with audit and compliance work, and on a personal level have guided the businesses Directors with Financial Planning advice.

**"The Lawler team has developed an excellent rapport with all the relevant people in our organisation which ensures that any one of us can pick up the phone and always speak to someone who understands our business." says Mr Mappis.**

In 2006 SOS Print & Media Group's environmental procedures were certified to ISO 14001 and in January 2007 were certified by the Forest Stewardship Council Certification (FSC) and Chain of Custody (COC) implementation as one of currently only three printing companies in NSW to have achieved this certification. The achievement of these certifications demonstrates SOS Print & Media Group's commitment to quality control and environmentally sound practices.

#### The SOS Secrets Of Success:

- Always go beyond the boundaries of customer service
- Build a strong relationship with your staff through mutual respect
- Look both inside and outside your industry for innovation
- Constantly improve your IT capability

# Happenings

## The 2008 Lawler Reach Program

Our continued development and focus to find dedicated and motivated people to grow with us has inspired the Lawler Partners 2008 Reach Program. This exciting initiative focuses on undergraduate/graduate recruitment opportunities, and was launched on 30 May 2007 at Noah's On the Beach with special guest Layne Beachley.

All 45 attending applicants for the Program thoroughly enjoyed the evening, and the opportunity to meet with Directors and staff of the firm. The highlight of the event being the inspirational words of the world champion surfer, who provided insight into the important elements for creating your own success and reaching your goals.

The Reach Program was designed for students currently enrolled in University or TAFE, or who will be enrolled by February 2008, with the aim of a career in accounting.

Key elements of the program are the opportunity to rotate through the different business units, the opportunity to work in the firms Newcastle and Sydney locations and the strong emphasis on mentoring and development by key senior staff.

Director Kylee Dare said that "Our program focuses on providing graduates and undergraduates with a sound combination of on-the-job learning and formal training. It is a major recruitment and training program that provides for individual needs and interests."

Kylee further explained that the world champion surfer was the perfect spokesperson for the program.

"Layne's background in developing initiatives such as the Aim for the Stars Foundation which supports motivated females to achieve their goals, is aligned to the Lawler philosophy of providing opportunities for talented young accountants."



Lawler Partners Supervisor, Nathan Reynolds, with applicant Erin Connors



Reach Program hopefuls Karen Mann and Samantha Williams



Lawler staff speak with potential applicants of the Reach Program



Layne Beachley with Lawler Partners Director, Kylee Dare

For further information about the program visit the Lawler Partners website [www.lawlerpartners.com.au](http://www.lawlerpartners.com.au) or contact our Human Resource Team on 02 4962 2688.

# It's Official

**A year on and the superannuation changes announced in the May 2006 Budget have been passed.**

**As a consequence, vast amounts of wealth have been flowing into superannuation as individuals attempt to avail themselves of the \$1,000,000 undeducted contribution opportunity.**

It is very apparent that the Government only needed to say the words "tax free to those over age 60" once and the interest level was incredibly high.

Many of the clients we have met with have much of their wealth in the form of listed shares, managed funds or business property and the attraction of necessarily selling these investments (particularly in the case of business property utilised in the clients business) is not high.

The answer for these clients in many instances has been a self managed superannuation fund (SMSF). Assets such as listed shares, managed funds and commercial property can generally be transferred to a SMSF at market value.

There are CGT implications to this and, in the case of business property, stamp duty implications also, so it is important to get the right advice and to consider the payback period over which these upfront costs will be recouped.

Our experience to date, is that in most cases there is a persuasive argument in favour of transferring these assets to a SMSF. Of course the facts of each specific case are important, and the analysis must be performed on a case by case basis.

To recap on the changes that have spurred this unprecedented interest in superannuation:

- No tax on superannuation benefits paid to those over age 60.
- The exclusion of pension income from the taxable income of those over age 60 (resulting in more favourable taxation on other non superannuation income)
- Abolition of the Reasonable Benefit Limit (RBL) system that capped the amount of money that could be held in superannuation and receive concessional treatment.

- A transitional undeducted contribution limit of \$1,000,000 in total over the period 9 May 2006 - 30 June 2007.
- A reduction in the deductible contribution limit to \$50,000 per annum (but with a transitional limit of \$100,000 per year to 2012 for those over age 50).
- Dollar for dollar superannuation deductions for the self employed.
- Introduction of a new 'account based' superannuation pension from 1 July 2007.
- A reduction in the age pension taper rate for the assets test (meaning that more people will be eligible for a partial social security pension).

The only danger in the very high level of public interest is that we have had some limited instances where clients have acted to their detriment on advice received from friends at a BBQ or other social event. So a word of caution, please ensure that you receive quality advice that is tailored to your specific circumstances.

On the whole the superannuation changes are incredibly positive and the fact that the changes have now been passed as law is very reassuring.

The answer for these clients in many instances has been a self managed superannuation fund (SMSF). Assets such as listed shares, managed funds and commercial property can generally be transferred to a SMSF at market value.



For further information contact Damien Passmore, Superannuation Associate on 02 4928 7000.

# How Much Is Your Business Worth?



## Finding the answer to this question may not be as simple as you might think.

You may be involved in a legal dispute, wish to buy or sell a share in a partnership, or even headed towards marital breakdown. You might want to value a business as a whole, or perhaps only your share. In any case, the value of the business is not easily determined, and may have more than one answer.

## The purpose of a business valuation is to establish a “fair market value” for the business, or in other words, what a buyer would be willing to pay for it.

There doesn't necessarily have to be a “buyer” involved as such, however the principle remains. The value of a business is normally based on its earnings or potential earnings, rather than solely on its physical assets.

The value of a business may depend on a variety of factors, such as:

- the general state of the business, including the condition of the facilities, staff morale, and the completeness or accuracy of the company records
- the market demand for the business' products or services
- the goodwill attached to the business and the capacity for that goodwill to succeed to a new owner
- the profitability of the business. If the business is highly profitable, the business may command an elevated purchase price
- cash flow levels
- economic conditions. Are there specific economic factors that directly affect the business?
- any strategic value or synergies of the business, such as a long term lease.

Normally, a business valuation is undertaken using the “going concern” principle. That is, that the business will continue trading, rather than its value upon liquidation or winding up.

## What does a business valuation value?

A business may be made up of several different components that vary from business to business, of which some may be of greater importance to the operation of the business than others. A business is generally made up of:

- goodwill
- plant and equipment (machinery, vehicles, tools, furniture and computers)
- fixtures and fittings
- stock
- work in progress (existing contracts)
- intellectual property
- the liabilities of the business

Generally, the major components being valued are real property, plant and equipment, and goodwill. Real property, if owned by the business, may need to be valued separately to the business valuation, and is usually performed by a qualified real estate valuer. Plant and equipment valuations should also be completed by a specialist valuer, under a going concern basis. That is, even though the plant and equipment may not have a book value, it may have an inherent value in the ongoing operation of the business.

Goodwill is, of course, an intangible asset, and reflects a strong brand name, reputation, or prospects of the business. However, it is basically the amount that the purchase price exceeds the net tangible assets of the business. Goodwill is hence not valued as such, besides determining a gross value of the business then working backwards.

## How is a business valued?

There are a range of business valuation methods available, some of which will be more appropriate to one type of business than another.

Traditionally, the most popular valuation method is Discounted Cash Flows, which values a business on the future cash flows a business may generate. This method is more appropriate for business with finite lives, or in a high growth period.

Another commonly used method is the capitalisation of future maintainable earnings. This method is most appropriate for mature and reasonably established businesses, with a proven track record and expectations of future profitability, and relatively steady growth prospects. Other conventional valuation methods include the net asset backing approach, the “rule of thumb” method, or the “cost to create” method.

The method used will differ depending on the circumstances of a particular business, or even the information available.

There are many important reasons why business owners should know the value of their businesses long before they decide to sell it or their shareholdings, or have the valuation presented as expert evidence in court.

The Lawler Partners Forensic Team is staffed by personnel whose depth of experience in business operations and consulting can help you successfully plan your financial future by understanding the value of your most important asset - your business.

For further information on how we can assist with your business valuation or other Forensic Accounting matters contact Partner, Raymond Tolcher via [rtolcher@lawlerpartners.com.au](mailto:rtolcher@lawlerpartners.com.au) or phone 02 4962 2294.

# The New Small Business CGT Concessions

## and Structuring Implications

The changes to the CGT Small Business Concessions have major implications for both the availability of the concessions and the structuring of the ownership of businesses. The start date for the changes is 1 July 2007.

Where a taxpayer makes a capital gain on the disposal of an asset, the amount of the gain that becomes subject to tax may be reduced by applying the Small Business CGT Concessions. Subject to satisfying certain eligibility criteria, these concessions can apply to capital gains made on the disposal of business assets (such as goodwill) as well as extending to gains made on the disposal of shares in private companies.

Previously, the eligibility criteria to access the concessions were restrictive in certain circumstances. In addition, there were also certain practical complications with the way in which the concessions had to be applied. As a result of government lobbying, there have been recent positive changes to both the eligibility criteria to access the concessions and the way in which the concessions are applied.

The most significant amendments are the change from the 50% Controlling Individual test to the new 20% Significant Individual test (which can be satisfied directly and/or indirectly) and the previously unannounced alternative 90% test.

Not only will the relaxation of the ownership criteria widen the availability of the concessions to more taxpayers, another significant implication of these changes is that it puts the ability to access the concession through a multi-tiered structure back on the agenda.

In the past, there was a trade-off that usually resulted when deciding on a structuring solution. That trade-off was to adopt a structure that was clearly eligible for the Small Business CGT concessions at the expense of maximum tax efficiency by involving discretionary trusts as owners of trading entities.

Under the previous rules, the shareholders of a company had to be individuals to access the full range of available concessions - either by way of a sale of the company's business or a sale of the shares in the company.

Under these new concessions, the immediate owners in a company, for example, can be discretionary trusts. If either the company sells the business or the shares in the company are sold, this type of a structure can now allow access to the concessions.

The range of potential structuring options that may now be available so as to access the concessions is significantly expanded than those under the previous provisions.

For example, some potential structures include:

- A unit trust with up to 5 discretionary trust unit holders.
- A unit trust with 4 individuals owning more than 20% and less than 25% each, with their respective spouses owning at least 1% each (so up to 8 individuals).
- A unit trust with up to 5 individual owners holding at least 20% each.
- A partnership of discretionary trusts.
- A company with up to 5 individual owners holding at least 20% each.
- A company with 4 individuals owning more than 20% and less than 25% each, with their respective spouses owning at least 1% each (so up to 8 individuals).
- A company with up to 5 discretionary trust shareholders.

It would also appear that structures that utilise corporate beneficiaries can also be used to access the concessions.

The end result is that great care will need to be taken when implementing new or changing old structures. This will especially be the case when applying the indirect test. The tests are not as simple and straightforward to apply in practice as they may first appear.

For further information about structuring or advice on acting on these concessions please contact Darren Shone, Taxation Associate on 02 4962 2688 or email [dshone@lawlerpartners.com.au](mailto:dshone@lawlerpartners.com.au)

# Contacts

## Audit

Clayton Hickey  
T 02 4962 2688

## Business Recovery & Insolvency

Sydney – Robert Whitton & John Vouris  
T 02 8346 6000

Newcastle – Raymond Tolcher  
T 02 4962 2294

## Business Services

Sydney – Bob Bell  
T 02 9232 6800

Newcastle – Simon Rutherford  
T 02 4962 2688

## Corporate Advisory

Simon Rutherford & Terry Lawler  
T 02 4962 2688

## Equipment Finance, Insurance Premium Funding & Mortgage Broking

Chris Davis  
T 02 4928 7013

## Financial Planning & Investment Advice

Mark Arnold  
T 02 4928 7000

## Firm & Strategy Matters

Terry Lawler  
T 02 4962 2688

## Franchising Services

Steve Meyn  
T 02 4962 2688

## Hospitality & Gaming

Peter McLean  
T 02 4935 6138

## Information Technology

Steve Meyn  
T 02 4962 2688

## Superannuation

Damien Passmore  
T 02 4928 7000

## Small Business

Peter Coughlan  
T 02 4962 2688

## Taxation

Darren Shone  
T 02 4962 2688

# Tax Calendar

## June 2007

- 3 Final due date for lodgement of all tax agent client Income Tax Returns not previously due for lodgement
- 21 Due date for lodgement and payment of May 2007 monthly BAS and IAS.
- 30 End of the 2007 Financial Year

## July 2007

- 14 Last day to issue 2007 PAYG Payment Summaries to employees
- 21 Due date for lodgement and payment of June 2007 monthly BAS and IAS.
- 21 Due date for lodgement and payment of 2007 year NSW Payroll Tax Annual Reconciliation

- 28 Due date for lodgement and payment of June 2007 quarterly BAS and IAS
- 28 Last day for payment of June quarter employee superannuation contributions to avoid liability for the Superannuation Guarantee Surcharge.

## August 2007

- 14 Last day to forward to the ATO original 2007 PAYG summaries issued to employees
- 21 Due date for lodgement and payment of July 2007 monthly BAS and IAS.

# Three Decades of Service



Stacie Campbell, Darren Newell and Michael Randall of Lawler Partners at the Dinner Forum.



Lawler Partners' Managing Director, Terry Lawler, was the Newcastle & Hunter Junior Chambers speaker at their May monthly dinner forum held at Noah's On the Beach.

Terry spoke of his business life journey which spans over 30 years and provided insight into the values that are needed to make a real difference and that have been the foundation for the firm throughout its continual growth.

Terry further outlined his personal achievements outside of work which include assisting in the establishment of First Chance (now the Special Education Centre at Newcastle University), being a member on the board of the Rail Infrastructure Corporation, Chairman of the Newcastle Knights, and helping with the commencement of Life Without Barriers 15 years ago, of which he has been the Chairman for the past 8 years.

To finish, he quoted a touching poem written by Joseph Merrick, known to most of us as the Elephant Man, to highlight the need to treat and value everyone as equal and that things aren't always how they appear on the outside.



## SYDNEY

Level 7, 1 Margaret Street Sydney NSW 2000 Australia  
T 02 8346 6000 F 02 8346 6099 E info@lawlerpartners.com

Level 9, 4 O'Connell Street Sydney NSW 2000 Australia  
T 02 9232 6800 F 02 9232 6900 E info@lawlerpartners.com

## NEWCASTLE

763 Hunter Street Newcastle West NSW 2302 Australia  
T 02 4962 2688 F 02 4962 3245 E mail@lawlerpartners.com.au

## BRISBANE

Suite 6, 224 Hawken Drive, St Lucia QLD 4067 Australia  
T 07 3870 2101 F 07 3870 3209 E mail@lawlerpartners.com.au



Best Small Accounting Firm 2006\*

Best Small Professional Services Firm 2006\*

\*Under \$20 million turnover p.a.