

INVESTOR READINESS PROGRAM

Webinar Series

- Capital Raising - Maximising your investor readiness
- Investor Readiness - Capital raising, exit strategies and legal structures
- Case Study - Australian Food and Fibre

Printed and Online Material

- Available on Department of Primary Industries and Regional Development's website - <https://dpiird.wa.gov.au/>

Masterclass Series

- Four face-to-face workshops in Geraldton and Busselton
- Hosted from April to June 2020
- Registration open on Eventbrite <https://www.eventbrite.com.au/e/investor-ready-masterclasses-2020-busselton-and-geraldton-get-tickets-tickets-94299268651?ref=estw>

INVESTOR READINESS PROGRAM - CONTACT US



GOVERNMENT OF
WESTERN AUSTRALIA

Department of
**Primary Industries and
Regional Development**

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A photograph of a modern, multi-level architectural interior. The space is characterized by clean, white lines and curved surfaces. A prominent feature is a wide staircase with wooden treads and metal railings, leading upwards. The ceiling is high and features a series of curved, recessed lighting fixtures that create a warm, ambient glow. The overall aesthetic is minimalist and sophisticated.

MAXIMISING INVESTOR READINESS

March 2020

PRESENTED BY DANNY OLSEN

OVERVIEW OF THE SESSION

Overview of the Department of Primary Industries and Regional Development (“DPIRD”)

- Seeking to help create jobs and improve career opportunities in regional Australia
- Looking to develop and broaden the economic base of the region
- Promote business development within the regions
- Have a particular focus (in this instance) on WA Agriculture and Food businesses

Objective of this Session

By the end of this you should be able to:

- Describe what it means to be investor ready
- Identify and understand the fundamental elements of investor readiness
- Identify the common legal structures and their importance
- Understand the importance of the available tax concessions



INTRODUCTION

1. Who am I
2. Maximising Investor Readiness Recap
3. What is Investor Readiness

TEAM OVERVIEW



*All leads to credibility
(hopefully!)*



Who am I?

Background

- Partner in the Business Services, specialising in assisting high growth businesses, with extensive experience in providing tax & business advice to leading WA businesses across many sectors.
- Experienced in advising business owners and/or boards in respect to business strategy and have implemented business management to assist management and shareholders to communicate strategy and initiatives.
- Invested in multiple start up entities.

Who is BDO?

BDO Overview (2019 Global Stats.)

- 1,617 offices in 167 countries & territories
- Global Headcount : 88,120
- Partner to Staff Ratio: 1 to 10
- Global Revenue US \$9.6 Billion



MAXIMISING INVESTOR READINESS

PRESENTED BY TODD GROVER

1

Capital Raising is different to selling

2

Address the investors 4 big questions

3

Support those answers with materials

4

Source the right funding for you

CAPITAL RAISING

PRESENTED DANNY OLSEN

1

START-UP: Funds to help you turn your idea into a revenue generating business.

2

SCALE-UP | GROWTH: Funds for working capital and growth.

3

EXIT: Funds to assist you as part of your succession plan.

WHAT DOES IT MEAN TO BE INVESTOR READY?

Key Conditions

- Attracting investment from a strategic or financial investor;
- Accept the investment from the investor(s);
- Successfully negotiate terms that are attractive to the business and business owner; and
- Readiness to utilise funding to deliver the value proposition and execute the strategic initiatives.

Focus for Today's Session



FUNDAMENTAL ELEMENTS OF INVESTOR READINESS

Cornerstone Element

Key Considerations

Business Strategy	A clearly defined business strategy and documented strategic plan
Financial Acumen	Know your numbers, stay compliant, be clear on your funding requirements and understand the drivers of financial performance
Legal	Optimise your legal structure. Protect key assets. Ensure the structure is aligned to the objectives.
People	The right structure with the best people in the right roles.
Processes	Processes focused on creating customer value and constantly improving on it while simultaneously reducing waste.



BUSINESS STRATEGY

1. THINK, DECIDE, PLAN, DO

STRATEGIC PLANNING PROCESS

HISTORY AND PRESENT

- Mission Statement
- Describing the Business
- Sustainable Competitive Advantage
- SWOT Analysis
- PESTEL Analysis
- Organisational Culture

THE FUTURE

- Big picture planning
- Vision Statement

ACTION PLANNING

- Key Objectives
- Long Term Objectives - 2 to 5 years
- Short Term Objectives - 1 to 12 months
- Critical Success Factors - what must we get right every time to deliver our perfect world scenario
- 90 Day action planning
- Key Issues / risks in execution

STRATEGY DOCUMENT ELEMENTS

Key Components	Description	Purpose
<i>Company Values</i>	<ul style="list-style-type: none"> Outline the non-negotiables for the business 	<ul style="list-style-type: none"> Lets investors know what are the core guiding beliefs of the business
<i>Core Purpose</i>	<ul style="list-style-type: none"> Articulation of what the reason is that the company exists 	<ul style="list-style-type: none"> Lets investors know why you are in business and why you will remain in business
<i>Target Market</i>	<ul style="list-style-type: none"> Document who the key customers are for the business. May include multiple segments 	<ul style="list-style-type: none"> Clarifies the main markets are for investors in assessing demand for products and services
<i>Your Promise to Customers</i>	<ul style="list-style-type: none"> What are the inherent promises to customers that come with products and services sold 	<ul style="list-style-type: none"> Clarity around what customers want and need from products and services purchased
<i>Positioning of the Brand</i>	<ul style="list-style-type: none"> Articulation of what the company name / logo represents in customer minds 	<ul style="list-style-type: none"> Helps investors understand the customer bias toward products and services offered
<i>Point of Difference</i>	<ul style="list-style-type: none"> Articulation of how the business differentiates its products and services from competitors 	<ul style="list-style-type: none"> Helps investors understand the pricing dynamics of products and services sold
<i>Short to Long Term Horizons</i>	<ul style="list-style-type: none"> Articulation of the short to long term opportunities available for business growth 	<ul style="list-style-type: none"> Inspires investors in the opportunities available to improve the business model

BUSINESS PLAN ELEMENTS

Business Plan Example	
BUSINESS PLAN CONTENTS	<p>1. INTRODUCTION</p> <ul style="list-style-type: none"> Opportunity Highlights Investment Opportunity Product Range Overview Growth Opportunities Growth and Revenue Highlights Financial Overview – Scenario 1 Steady State Financial Overview – Scenario 2 Accelerated Growth Total Returns
	<p>2. CAPITAL RAISE PROCESS</p> <ul style="list-style-type: none"> Capital Raise Overview Indicative Offer
	<p>3. BUSINESS DESCRIPTION</p> <ul style="list-style-type: none"> Timeline Business Overview Company Purpose Precision Farming and Equipment High Quality Manufacturing Standards Key Benefits of Our Products Sales Model Suppliers Premises and Leases
	<p>4. GROWTH OPPORTUNITY</p> <ul style="list-style-type: none"> National Growth International Growth
	<p>5. PRODUCTS</p> <ul style="list-style-type: none"> Product Range Overview Products 1 / 2 / 3
	<p>6. MARKET, INDUSTRY, COMPETITION</p> <ul style="list-style-type: none"> Servicing the Food and Agribusiness Sector Market Landscape Major Competitors
	<p>7. KEY MANAGEMENT</p> <ul style="list-style-type: none"> Chief Executive Officer Organisational Chart
	<p>8. FINANCIALS</p> <ul style="list-style-type: none"> Basis of Preparation Statement of Financial Performance Cost Analysis Statement of Financial Position Research and Development Cash Flow Statement – Scenario 1 & 2
	<p>9. SYSTEMS AND TRADEMARKS</p> <ul style="list-style-type: none"> Information Systems and Accreditations Global Map of Trademarks Global List of Trademarks Registered Australian Trademarks

Snapshot
<p>Overview</p> <ul style="list-style-type: none"> The snapshot are the key selling points of any opportunity. Basically why an investor should go with you? Create it at the beginning and evolve it over time Critical final slide to review - make sure that it ties together your story!
<p>Things to consider</p> <ul style="list-style-type: none"> Key clients Future revenue secured Growth opportunities Demand for product/services Key management profile Unique selling point Track record Partnerships Best financial metrics Experience of business or team

STRATEGY ON A PAGE

VISION:
MISSION:
VALUES:

KEY STRATEGIC ISSUES

STRATEGIC OBJECTIVES

STRATEGIC PRIORITIES

MEASURES OF SUCCESS

1

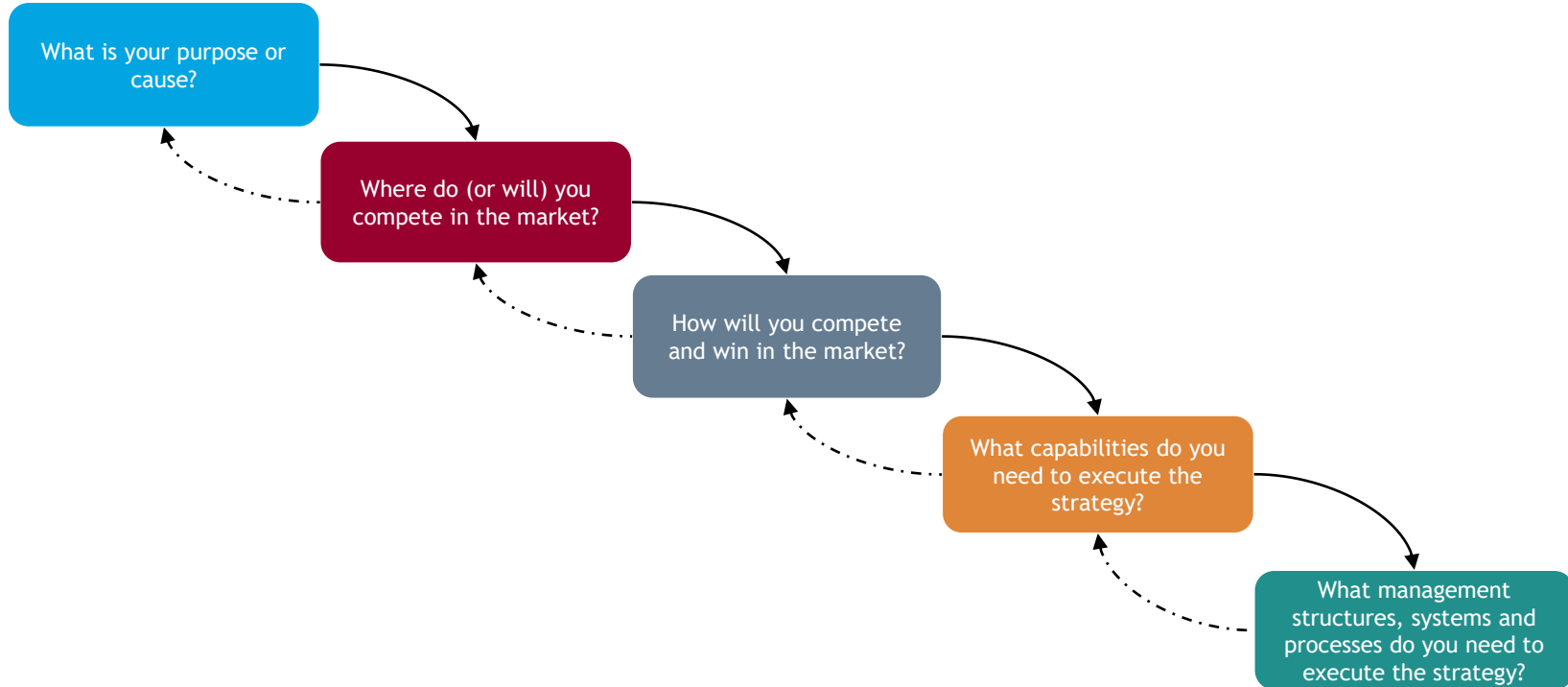
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3

4

5

THE 5 STRATEGIC CHOICES





FINANCIAL ACUMEN

1. Know your numbers
2. Profit and Loss Reporting
3. Reviewing your financial performance
4. Build a financial roadmap

KNOW YOUR NUMBERS

PROFIT AND LOSS REPORTS

- Income
- Cost of goods sold
- Gross profit
- Operating expenses
- Operating profits
- Non-operating income
- Non-operating expenses
- Net income

CASH STATEMENT AND REPORTS

- Beginning cash balance
- Cash in from activities
- Cash out from activities
- Ending cash balance

BALANCE SHEET REPORTS

- Current assets
- Non-current assets
- Current liabilities
- Non-current liabilities
- Equity

PROFIT AND LOSS REPORTING

TAX ACCOUNTANT LAYOUT

This layout is prepared by the tax accountant at the end of the financial year.

Key attributes:

- Generally prepared according to accounting principles but may incorporate elements of tax treatment of transactions and values.
- Prepared with a focus of optimising the tax outcome.
- Assets can be amortised at high rates to achieve lower income and income tax.
- Often very little value in decision making.

	2019
Trading Income	
Cellar Door Sales	856,435.10
Wholesale Sales	298,908.00
Retail Sales	64,980.00
Total Trading Income	1,220,323.10
Cost of Sales	
Opening Stock	76,250.00
Direct Wages	1,75,000.00
Direct Superannuation	14,502.00
Cost of Sales	390,503.39
Closing Stock	78,187.50
Total Cost of Sales	734,442.89
Gross Profit	485,880.21
	40%
Operating Expenses	
Accountancy	7,000.00
Administration Expense	1,000.00
Advertising and Marketing	12,000.00
Bookkeeping Fees	5,512.50
Cellar Door Tastings	12,000.00
Cleaning	3,044.00
Client Meetings	1,000.00
Computer Expenses	4,000.00
Director's Fees	8,838.00
Donations	1,890.00
Electricity and Gas	12,000.00
Entertainment	2,172.00
Flowers	1,433.25
Fringe Benefits Tax	1,572.00
General Expenses	1,044.00
Graphic Design	4,000.00
Internet	1,800.00
Motor Vehicle Expenses	2,178.54
Office Expenses	4,392.00
Rent	36,000.00
Repairs and Maintenance	4,500.00
Security	4,000.00
Staff Amenities	2,022.80
Staff Gifts	1,000.00
Staff Training	2,027.00
Superannuation	10,374.00
Travelling Expenses	7,880.00
Wages and Salaries	109,200.00
Worker's Compensation	720.00
Total Operating Expenses	264,790.09
Total Operating Profit (EBITDA):	221,090.12

Non-Operating Expenses	
Depreciation and Amortisation	
Depreciation	9,850.00
Immediate Asset Write Off	15,000.00
Total Depreciation and Amortisation	24,850.00
Financing Costs	
Bank Fees	288.00
Borrowing Costs	200.00
Interest Expense	1,700.00
Total Financing Costs	2,188.00
Total Non-Operating Expenses	27,038.00
Other Income	
Interest	5,486.11
Dividends	-
Total Other Income	5,486.11
Net Profit before Tax	199,538.24
Income Tax Expense	
Income Tax Expense	59,861.47
Total Income Tax Expense	59,861.47
Net Profit after Tax	139,676.77

PROFIT AND LOSS REPORTING

BANK MANAGER LAYOUT

This layout is customised by the business owner to present to a bank manager or financial lender.

Key attributes:

- Tailored to provide information relevant to the terms and conditions of the lending.
- A lot of the detail will be removed giving a 'high-level' view of the business performance and position to meet the minimum requirements of the bank.
- Often prepared to provided the minimum amount of information required to the bank to meet their requirements.

	2019
Trading Income	
Cellar Door Sales	856,435.10
Wholesale Sales	298,908.00
Retail Sales	64,980.00
Total Trading Income	1,220,323.10
Cost of Sales	
Opening Stock	76,250.00
Direct Wages	175,000.00
Direct Superannuation	14,502.00
Cost of Sales	390,503.39
Closing Stock	78,187.50
Total Cost of Sales	734,442.89
Gross Profit	485,880.21
	40%
Operating Expenses	
Administration	12,236.00
Advertising and Marketing	17,000.00
Employee Costs	133,361.80
Professional Services	12,512.50
Discretionary Expenses	20,067.25
Occupancy Costs	59,544.00
Travel	10,068.54
Total Operating Expenses	264,790.09
Total Operating Profit (EBITDA):	221,090.12
Non-Operating Expenses	
Depreciation and Amortisation	24,850.00
Financing Costs	2,188.00
Total Non-Operating Expenses	27,038.00
Other Income	
Interest	5,486.11
Dividends	-
Total Other Income	5,486.11
Net Profit before Tax	199,538.24
Income Tax Expense	
Income Tax Expense	59,861.47
Total Income Tax Expense	59,861.47
Net Profit after Tax	139,676.77

PROFIT AND LOSS REPORTING

BUSINESS OWNER LAYOUT

This layout is customised by the business owner to assist in managing the business and supporting decision making.

Key attributes:

- Tailored reports with grouped income and expenses providing value added information aimed at making the data more meaningful and easier to interpret.
- No significant influence by the tax acts or from principles targeting tax reduction.
- Defined by accurate allocation of trading income and cost of goods sold to determine gross profit
- Overhead operating expenses are allocated in a meaningful way, often by function.

	2019		
Trading Income			
Cellar Door Sales	856,435.10	Fringe Benefits Tax	1,572.00
Wholesale Sales	298,908.00	Entertainment	2,172.00
Retail Sales	64,960.00	Staff Gifts	1,000.00
Total Trading Income	1,220,323.10	Total Discretionary Expenses	20,067.25
		Occupancy Costs	
Cost of Sales		Cleaning	3,044.00
Opening Stock	76,250.00	Electricity and Gas	12,000.00
Direct Wages	175,000.00	Rent	36,000.00
Direct Superannuation	14,502.00	Repairs and Maintenance	4,500.00
Cost of Sales	390,503.39	Security	4,000.00
Closing Stock	78,187.50	Total Occupancy Costs	59,544.00
Total Cost of Sales	734,442.89	Travel	
		Motor Vehicle Expenses	2,178.54
Gross Profit	485,880.21	Travelling Expenses	7,890.00
	40%	Total Travel	10,068.54
Operating Expenses		Total Operating Expenses	264,790.09
Administration		Total Operating Profit (EBITDA):	221,090.12
Administration Expense	1,000.00	Non-Operating Expenses	
Computer Expenses	4,000.00	Depreciation and Amortisation	
General Expenses	1,044.00	Depreciation	9,850.00
Internet	1,800.00	Immediate Asset Write Off	15,000.00
Office Expenses	4,392.00	Total Depreciation and Amortisation	24,850.00
Total Administration	12,236.00	Financing Costs	
Advertising and Marketing		Bank Fees	288.00
Advertising and Marketing	12,000.00	Borrowing Costs	200.00
Client Meetings	1,000.00	Interest Expense	1,700.00
Graphic Design	4,000.00	Total Financing Costs	2,188.00
Total Advertising and Marketing	17,000.00	Total Non-Operating Expenses	27,038.00
Employee Costs		Other Income	
Superannuation	10,374.00	Interest	5,486.11
Wages and Salaries	109,200.00	Dividends	-
Staff Amenities	2,202.80	Total Other Income	5,486.11
Staff Training	2,027.00	Net Profit before Tax	199,538.24
Worker's Compensation	720.00	Income Tax Expense	
Director's Fees	6,838.00	Income Tax Expense	59,861.47
Total Employee Costs	133,361.80	Total Income Tax Expense	59,861.47
Professional Services		Net Profit after Tax	139,676.77
Accountancy	7,000.00		
Bookkeeping Fees	5,512.50		
Total Professional Services	12,512.50		
Discretionary Expenses			
Cellar Door Tastings	12,000.00		
Donations	1,890.00		
Flowers	1,433.25		

REVIEWING YOUR FINANCIAL PERFORMANCE

Weekly Checklist

Cash Flow Forecast Plan

- Review 12 weeks ahead and identify any crises

Bank Reconciliation

- Reconcile all amounts from the past week

Sales Income vs Target Income

- Review 12 weeks ahead and identify any crises

Payroll

- Review actual vs rostered hours report
- Check leave applications
- Verify all employees
- Lodge STP reporting

Accounts Receivable

- Verify that all amounts are collectible
- Follow up on overdue amounts

Accounts Payable

- Review all bills currently due
- Pay any required bills

Monthly Checklist

Balance Sheet

- Validate all bank accounts
- Review accounts receivable amount (asset)
- Review accounts payable amount (liability)
- Review leave entitlements (liability)
- Identify employees with 4+ weeks accrued

GST Payable

- Put your GST provision aside

PAYGW Payable

- Put your PAYGW provision aside

Superannuation Payable

- Put your superannuation provision aside

Inventory

- Perform monthly stocktake
- Update stock values in accounts
- Check gross profit trend

Profit and Loss (Budget vs Actual)

- Compare against financial Analysis Tool
- Identify areas where you are under/over
- Review total sales
- Review COGS and operating expenses
- Review gross profit and net profit
- Follow up on overdue amounts

REVIEWING YOUR FINANCIAL PERFORMANCE

Quarterly Checklist

Tax Payable

- Put aside 30% of your profit (if you are company structure)

GST Payable

- Review report for the quarter

PAYGW Payable

- Review report for the quarter

Superannuation Payable

- Review report for the quarter

Profit and Loss (Actual vs Budget)

- Re-forecast your financial roadmap

GST Activity

- Review report for the quarter

Business Activity Statement (BAS)

- Lodge and pay by 28th July, October, February and April

Superannuation Payment

- Process on 24th July, October, January and April

Annual Checklist

GST Payable

- Review annual GST and reconcile to balance sheet and profit and loss

Superannuation Payable

- Review superannuation payable annual report and reconcile to balance sheet.

PAYGW Payable

- Review annual report to identify discrepancies against BAS

Payroll

- Review payroll report and lodge STP reporting

Income Tax Return

- Prepare financial financials for tax return

Budgets

- Review budgets for next 12 months and prepare budgets

Strategy

- Review and revise strategic plan if required

FINANCIAL ROADMAP

What is a Financial Roadmap?

The objective of a financial roadmap is to provide a comprehensive view of the potential financial performance and position of your business based on the strategic decisions made and their execution. Steps to build a roadmap include:

- Assess your current position.
- Establishing clear financial goals for the future.
- Build your roadmap from the ground up.
- Adjust as required or assess alternative options.

Financial Roadmap Tips

- Build a budget from the ground up and use your historical trading to understand your current business drivers and levers.
- Be as specific as possible in respect to your goals.
- Test the impacts of a 1% increase in sales, 1% reduction in COGS and 1% reduction in operating expenses.
- If your plan is to grow, don't forget to forecast your cashflow requirements.
- Review your strategic plan to ensure the budget aligns
- Consider seasonality
- Be honest!

BUSINESS DRIVERS

What are business drivers ?

Business drivers are key inputs and activities that drive the operation and financial result of your business

In order to make internal choices about a business strategy or build a financial model to value a company, it's critical to gain and understanding of the main drivers. Once identified you can forecast various scenarios with more certainty.

Drivers of business and financial performance

- # of customers
- Average spend per customer
- Effectiveness of distributors
- Campaign effectiveness
- # of sales people
- Pipeline of sales/revenue
- Win to bid ratio
- Market saturation
- Delivery cost per kg
- # of services based tickets/calls
- Cycle time efficiency
- Number of products sold (volume)
- Yield
- Head count
- Input or ingredient prices
- Prices of products/services sold
- Average volume of stock holdings
- Stock turnover ratios
- Supplier agreements
- Lease agreements and arrangements
- Employee engagement
- Customer engagement or re-engagement

FINANCIAL SOFTWARE TOOLS



Cash flow forecasting and reporting software for businesses.



Online crop and livestock tracking, farm budgeting and forecasting tool.



Management reports that track your KPI's and provide break even analysis'



Cash flow focused forecasting and management app that provide visual cash flow forecasts.



Forecasting app including 3 way forecasting, dashboards and consolidated reports.



Cloud based accounting software that automatically links with multiple forecasting apps

REPORTING ON BUSINESS DRIVERS



MONTH / QUARTER / YEAR
Jan 2012

Revenue

\$1,483,550



less cost of sales
\$822,619

Gross Profit

\$660,931



less expenses
\$477,590

45%
% of Revenue

Operating Profit

\$183,342



other income/expenses
\$0

12%
% of Revenue

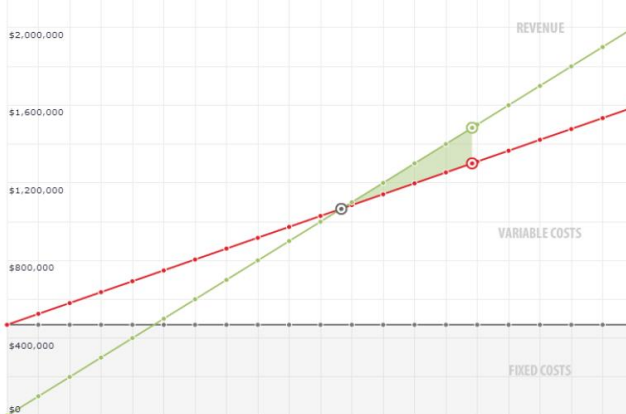
EBIT

\$183,342



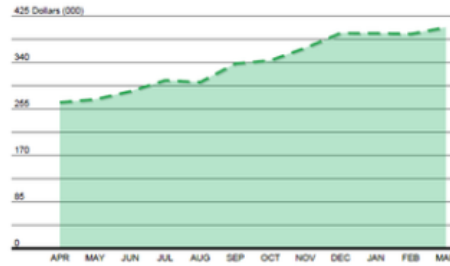
12%
% of Revenue

Revenues & Costs

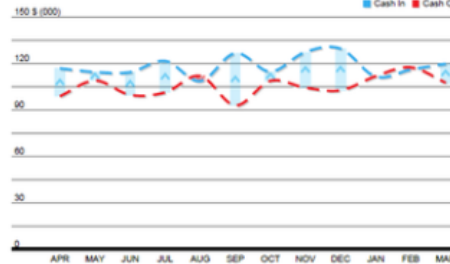


CREATIVE DESIGN - SPOTLIGHT FORECAST

CASH ON HAND FORECASTS

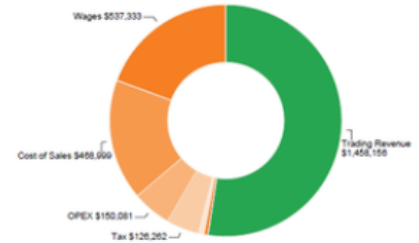


FORECAST CASH IN AND OUT

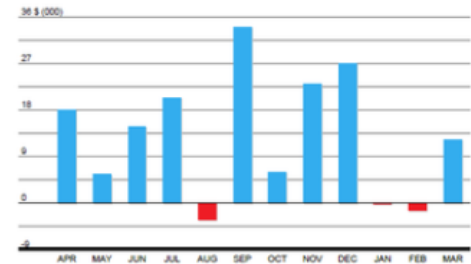


CASH FORECAST CHART GALLERY - FUTURE FORECAST

FORECASTED CASHFLOW



FORECAST CASH MOVEMENTS





LEGAL

1. Legal structures
2. Statutory compliance
3. De-risking and locking in value
4. Tax - never to be forgotten

KEY CONSIDERATIONS FOR LEGAL STRUCTURES

TAX PLANNING

Timing of income distributions, allocation of income distributions, capital gains, state based taxes, access to government grants and incentives.

ACCESS TO CAPITAL

Requisite flexibility in the legal structure to be able to move through the various growth phases and allow the raising of capital.

CONTROL | GOVERNANCE | COST

Ability to clearly define the key control and governance of the business throughout the growth of the business. Must be balanced against cost and complexity

ADMINISTRATION

The administration requirements and cost to maintain the structure.

ASSET PROTECTION

Managing liability which can extend from limited liability to absolute liability.

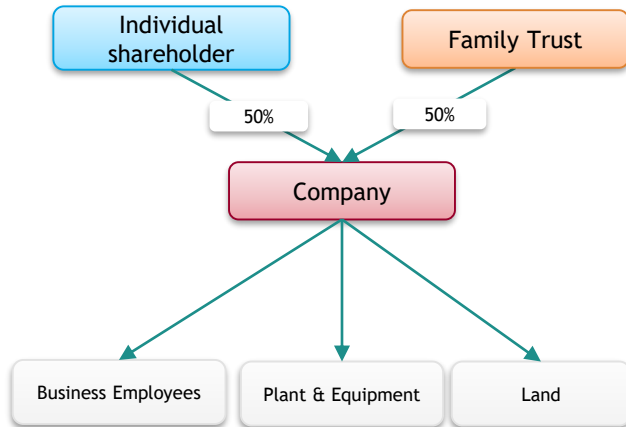
TYPES OF LEGAL STRUCTURES

	SOLE TRADER	PARTNERSHIP	COMPANY	DISCRETIONARY TRUST	UNIT TRUST
	An individual, as an exclusive owner of the business, trading on their own	People, companies and/or trusts running a business together (not as a company)	A legal business entity owned by shareholders and operated by directors	Trustees (people or companies) operating a business for beneficiaries who receive discretionary amounts	Trustees (people or companies) operating a business for set beneficiaries entitled to set amounts
Separate Legal Entity	No	No	Yes	No	No
Controlling Party	Individual	Partner	Directors of company	Trustees	Trustees
Control over assets	Absolute	Joint	Separated	Uncertain	Collective
Exposure to liability	Unlimited	Unlimited and severally liable	Limited	Limited subject to trust deed	Limited subject to trust deed
Tax Rate	Individual Marginal Rates	Individual Marginal Rates	Company Rate 27.5% - 30%	Beneficiaries Tax Rate	Beneficiaries Tax Rate
CGT discount	Yes	Yes	No	Yes	Yes
Saleability	Low	Low	High	Medium	Medium

STRUCTURE EXAMPLES

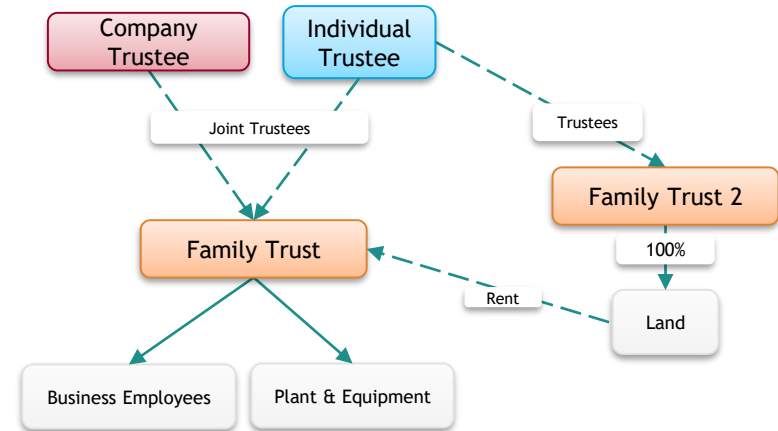
Structure Example 1

- ❑ Trading business is running through a company structure
- ❑ All assets and liabilities of the business are held within the company structure
- ❑ Ownership of the company is held 50/50 by two related party owners
- ❑ This is a relatively typical and common family structure



Structure Example 2

- ❑ Trading business is running through a company structure
- ❑ Separation of the main asset (Land) from the trading company for asset protection.
- ❑ Trust structure sitting above the company to allow for effective tax planning



KEY TAXES ON TRANSACTIONS

CAPITAL GAINS TAX

- A tax imposed on the sale of capital assets, including real estate, shares and goodwill (can occur as a result of other events or transactions).
- Assets purchased pre 20 September 1985 are potentially excluded.
- Generally crystallised at the contract date, not settlement date.
- CGT concessions and discounts may be available.
- Capital gains tax can occur as a result of restructuring

INCOME TAX

- Tax imposed on assessable income such as business income and dividends.
- Changes in structure and/or accepting investment may trigger taxable income and therefore income tax. Advice should be taken in respect to tax consequences of transactions in your circumstances.

DUTY

- Transfer duty can arise on the transfer of dutiable property.
- Charged on dutiable transactions over land in Western Australia.
- Potential stamp duty implications in change of structure.

KEY TAX CONCESSIONS - SMALL BUSINESS CGT

SMALL BUSINESS CGT CONCESSIONS

These concessions allow you to disregard or defer some or all of a capital gain from an active asset when used in a business:

- 15 year exemption
- 50% active asset reduction
- Retirement Exemption
- Rollover

Concession is available when you dispose of an active asset and any of the following applies:

- You're a small business with an aggregated turnover of less than \$2 million
- Your asset was used in a closely connected small business
- You have net assets of no more than \$6 million

EXAMPLE WITH CONCESSION

Total Cost Base	\$ 1,000,000
Total Proceeds	\$5,000,000
Gross Capital Gain	\$4,000,000
50% CGT Discount*	(\$2,000,000)
50% active asset reduction	(\$1,000,000)
Retirement Exemption	(\$500,000)
Residual capital gain	\$500,000
Tax payable on capital gain*	\$235,000

EXAMPLE WITHOUT CONCESSION

Total Cost Base	\$ 1,000,000
Total Proceeds	\$5,000,000
Gross Capital Gain	\$4,000,000
50% CGT Discount	(\$2,000,000)
50% active asset reduction	(\$0)
Retirement Exemption	(\$0)
Residual capital gain	\$2,000,000
Tax payable on capital gain*	\$940,000

Potential tax saving of \$705,000

* 50% general discount for holding longer than 12 months and for entities other than companies

** Tax calculated at highest marginal rate being 47% (including Medicare Levy)

KEY TAX CONCESSIONS - ESIC

EARLY STAGE INNOVATION COMPANY “ESIC” INCENTIVES

Implemented from 1 July 2016 if you invest in a qualifying ESIC

Investors who purchase shares in an ESIC receive:

- Non-refundable carry forward tax offset equal to 20% of the amount paid for their qualifying investment. This is capped at a maximum offset of \$200,000
- Modified capital gains tax treatment - The capital gain is disregarded if held for longer than 12 months but less than 10 years.

NEXT FINANCIAL YEAR - CARRY FORWARD TAX OFFSET

	ESIC	NO ESIC
Total shares purchased 2017 FY	\$1,000,000	\$1,000,000
Total Tax Offset (20%)	\$200,000	\$0
Net cost to investor	\$800,000	\$1,000,000
2018 FY Tax Payable*	\$50,000	\$50,000
Less: ESIC Concession	(\$50,000)	\$0
Tax Payable	\$0	\$50,000
Residual ESIC offset	\$150,000	\$0

SOLD WITHIN 10 YEARS - CAPITAL GAINS

	ESIC	NO ESIC
Total Cost Base	\$1,000,000	\$1,000,000
Total Proceeds	\$5,000,000	\$5,000,000
Total Capital Gain	\$4,000,000	\$4,000,000
Less: 50% general discount*	(\$2,000,000)	(\$2,000,000)
Less: ESIC Concession	(\$2,000,000)	\$0
Assessable Income	\$0	\$2,000,000
Tax Payable**	\$0	\$940,000

Potential tax saving in this scenario of \$1,140,000

* Tax payable relates to other assessable income

* 50% general discount for holding longer than 12 months and for entities other than companies

** Tax calculated at highest marginal rate being 47% (including Medicare Levy)

STATUTORY COMPLIANCE CONSIDERATIONS

Hygiene considerations

- Tax returns lodged
- Activity statements lodged
- FBT issues dealt with
- Shareholder loan agreements documents
- Market value rent agreements in place

High focus areas

- Superannuation guarantee reporting requirements
- STP reporting
- Minimum wage and Fair Work requirements



CONSIDERING RESTRUCTURING

Key Takeaways

- Rule #1: Consider it as early as possible.
- Rollovers may be available.
- Rule #2: Consider it as early as possible.



BECOMING INVESTOR READY



Key Considerations in the process

- Start the process EARLY as it can take a while.
- Match your investment in the process to the likely benefit as the journey is not always fun!
- Keep your eye on the key objectives and don't lose sight of the reason you started the journey.
- Seek professional advice when required.



UPCOMING EVENTS

UPCOMING EVENTS - INVESTOR READINESS PROGRAM

WEBINAR: AUSTRALIAN FOOD AND FIBRE CASE STUDY

Mergers and Acquisition adviser Margaux Beauchamp will host this webinar.

This third webinar is designed to bring to life the investor ready journey. Margaux will be joined by Managing Director of Australian Food & Fibre, David Robinson.



For more information, head to <https://www.bdo.com.au/> and search “investor readiness program”

REGIONAL MASTERCLASSES

BDO and DPIRD are hosting a four part masterclass series aimed at providing business owners with tools for success and that lead to investor readiness.

These sessions are practical and hands on.

Details of the masterclasses will be emailed to all attendees in this and the previous webinars. We really look forward to meeting you and providing you with the tools and resources to being or continue your journey.

		BUSSELTON	GERALDTON
Masterclass 1	Maximising your value	6 April 2020	20 April 2020
Masterclass 2	Know your numbers	1 May 2020	18 May 2020
Masterclass 3	People and Processes	2 June 2020	8 June 2020
Masterclass 4	Business valuations and exit strategies	15 June 2020	22 June 2020

For registration: <https://www.eventbrite.com.au/e/investor-ready-masterclasses-2020-busselton-and-geraldton-get-tickets-tickets-94299268651?ref=estw>

OTHER BDO UPCOMING EVENTS

WEBINAR: CHOOSING THE RIGHT BUSINESS STRUCTURE FOR YOUR FAMILY FARM

Choosing the right business structure is never easy. When it comes to an agribusiness, family interests, land ownership and risks to crops, livestock and employees make the task of choosing an appropriate business entity even more difficult.

Do you understand the structuring options available for your agribusiness?

Join BDO for a live webinar discussing the range of business structures available to agribusinesses and strategies for choosing the right structure that best suits your needs.

The webinar will explore:

- The pros and cons of agribusiness structures
- Why it's important to factor in your succession plan when choosing a business structure
- Tax considerations to be mindful of
- Tips for overcoming the issues in selecting a structure

For more information head to the BDO website and search “choosing the right business structure for your family farm”





GOVERNMENT OF
WESTERN AUSTRALIA

Department of **Primary Industries and Regional Development**

DPIRD's role is to ensure that primary industries and regions are key contributors to the Government's agenda for economic growth and diversification, job creation, strong communities and better places.

Our Goals

Protect: to manage and provide for sustainable use of our natural resources and soils, and to protect Western Australia's brand and reputation as a reliable producer of premium, clean and safe food, products and services.

Grow: to enable the primary industries sector and regions to increase international competitiveness, grow in value and social amenity and become a key pillar of the State's economy.

Innovate: to support a culture of scientific enquiry, innovation and adaptation across primary industries and regions to boost industry transformation, economic growth and employment.

Website: <https://dpiird.wa.gov.au/>



QUESTIONS?

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