

## Customer service is awareness of needs, problems, fears and aspirations"

This Month in the Globe BD Newsletter

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### VALUING YOUR BUSINESS



Recently I prepared a business valuation for one of our good clients as a part of their annual Fixed Price Agreement. It is in an area that I am very much interested and have done some good research into businesses and their values in my years as an accountant.

Although there are possibly more than 10 widely used legitimate ways to value a business, the most commonly used valuation method is the ROI (Return on Investment) method.

Simply put—if I had \$100,000 and put it in the bank, I would be able to earn interest of 6%. Therefore my ROI is 6%.

Because a business is a lot more risky than putting money in the bank, the expected ROI is normally in the range of 25% to 50%, depending on the attractiveness of the business as an investment in itself.

The other way this valuation method is commonly expressed is "Multiples of EBITDA". This is just a fancy way of saying the ROI method. For example—5 X EBITDA = 20% ROI or 2 X EBITDA = 50% ROI. EBITDA stands for "Earnings before interest, tax, depreciation and amortization". It's the 'adjusted net profit' that forms the basis for the business valuation.

Everybody who owns a business should be looking at their business and its value at least once a year. Just as any good investment should provide a return and capital growth, your business should also.

### GLOBE BD SEMINAR

#### "EXCELLENCE IN CUSTOMER SERVICE"

**Tuesday 20th SEPTEMBER 2011**

Due to the popularity of our "Customer Service Seminar" held in July, we have decided to host it again on 20th September 2011.

Please see attached Flyer for more information

**To Reserve your place please call us on 9456 3303 or email:**

### GLOBE BD ANNUAL PRINCESS MARGARET HOSPITAL FUNDRAISER FOR 2011

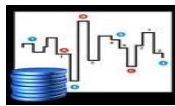
For all our loyal clients and friends, we will very shortly be advising the date for our 8th Annual Fundraiser. We are holding this event once again at the Willetton Sports Club with a 3 course luncheon and sporting memorabilia auction. Our Guest speaker has not been confirmed as yet but be assured they will be just as entertaining as in previous years.

A detailed flyer will be forthcoming in the near future.

### NEW LOOK FOR GLOBE BD OFFICE

Thanks to the great efforts of John from Microvisual Technology when you walk into our offices the first thing you notice is our new screen advertising the great services we can offer our clients!





# THE SCIENCE BEHIND THE STOCK MARKET

By Rod Western

The stock market and the predictions that go with it including all of the analyst's science and highly complicated mathematics that accompany these forecasts, conform to the old academic adage – that it's just as much an art as it is a science.

Employing both my scientific and artistic license – here are some thoughts and observations:

If you look at the graph below, you can see the price of BHP stocks charted against the all ordinaries for the past 10 years. Charting the average growth of the ASX All ordinaries from the years 2001 to 2005 and carrying that average to the year 2015 would give you an all ordinaries of approximately 4800 points by 2015. Therefore the correction that we are witnessing now would be consistent with a steady pattern tracked over 15 years.

The super gains of the years 2005 to late 2007 were never sustainable or realistic. During those heady days our expectations changed from realistic and steady growth in investments of say 10% to unrealistic expectations of higher than 20% per annum.

The fact is that there is no crop to harvest without the hard work of preparing the field and sowing the seed. Even with all of that hard work there is still no guarantee of good weather – the crop can still fail.

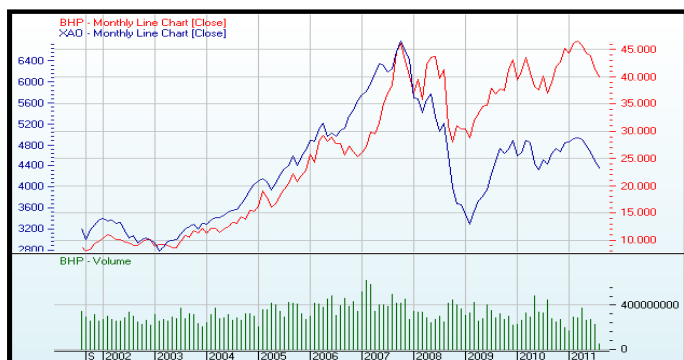
Australians have forgotten that hard work is how you pay for the food that ends up on the family table. The Chinese people are for the most part hungry and if we in Australia (and the wider Western world) do not adjust our expectations back down to reality they will be eating our food because they are willing to work hard enough to get it.

Take for example Greece – the country is a financial basket case – so the people decide to strike for 2 days against the Government trying to introduce austerity measures. That country is top heavy with public servants. In my opinion a 2 day holiday is not going to fix their problems!

The days of getting a free ride on the back of unrealistic growth appear to be over.

Granddad's lessons from the depression hold true from now – work hard, spend less than you earn!

## The chart of monthly prices over 10 years for security BHP-source ASX website 5<sup>th</sup> August 2011



# ! WILL YOUR ASSETS BE DISTRIBUTED IN ACCORDANCE WITH YOUR WISHES IF YOU DIE?

The attached flyer from our Partners at WB Financial provide some general information about Wills Estate Planning.

Estate Planning is an integral part of your overall financial process. A Complete financial plan should address all aspects of the wealth cycle, specifically your:

- ⇒ Wealth creation;
- ⇒ Wealth preservation; and
- ⇒ Wealth distribution

Effective Estate Planning is all about ensuring that your wealth, after your death, is preserved and or distributed in accordance with your wishes, whilst minimising the impact of taxation.

Please call our Resident Financial Advisor, Chris Hofman, for more of this very important information—9456 3303



## ! NEW TAX RATES FOR 2011/12 FINANCIAL YEAR

Taxable income	Tax on this income
0 - \$6,000	Nil
\$6,001 - \$37,000	15c for each \$1 over \$6,000
\$37,001 - \$80,000	\$4,650 plus 30c for each \$1 over \$37,000
\$80,001 - \$180,000	\$17,550 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,550 plus 45c for each \$1 over \$180,000

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