

SELLING A BUSINESS WITH **GMO**

A GUIDE TO MAKING IT EASY



THE GMO STORY

GMO was founded in 1984 when Graham O'Hehir, Jim Goodwin and several like-minded friends realised Perth needed a specialist Business Broking House to present businesses for sale in a professional and comprehensive manner.

They assembled a team with broad business experience, covering all the popular small and medium sized business categories, to offer a specialist in each area of industry expertise.

Graham had come from a banking background and Jim from retail and hospitality.

Their colleagues were all men and women with a background in business and most importantly, the team had strong accounting, marketing and economics experience.

Success was immediate, resulting in the firm moving to more substantial West Perth premises in 1991 and quickly becoming the **Largest Business Brokerage and Business Valuing service in WA.**

Since establishment GMO has transacted thousands of small and medium sized enterprises in a wide variety of industries and ranging in value from businesses of hundreds of thousands to multi million dollar mergers & acquisitions. A team of 18 plus Brokers is standing ready to assist you.

OUR GMO OFFER

One of the great advantages in selling a business through GMO is that our team of Brokers are "business experienced" – having owned or operated businesses ourselves.

Our team can profile your business characteristics and benefits and "cross match" your business with the needs, skills and purchase criteria of our large database of prospective Buyers.

OUR SERVICES INCLUDE:

- ✓ Appraising your Business
- ✓ Accurately identifying the tangible and intangible assets of the business
- ✓ Identifying the future maintainable earnings
- ✓ Setting the right price
- ✓ Compilation of a business information profile with all relevant data
- ✓ Target marketing to attract suitable Buyers
- ✓ A pro-active Broker and Seller relationship
- ✓ Negotiating the sale
- ✓ Assistance with Due Diligence
- ✓ Assistance with settlement day and handover procedure

WELCOME

Your decision to sell your business is one of the most exciting and important decisions you may ever make.

Be assured we understand this and we will do our utmost to ensure that you're given the respect, service and attention to detail you deserve after building your enterprise over a period of years.

Our philosophy to business sales is that we aim to sell your business for the highest possible price in the shortest realistic time frame and with the utmost confidentiality.

In order to achieve this, GMO offers:

- ✓ A professional appraisal of your business value
- ✓ A highly skilled team of Brokers to facilitate the sale of your business
- ✓ Dedicated marketing team with experience across multiple media platforms
- ✓ A large database of qualified purchasers, accountants, migration agents and investors

We believe you will gain from our vast experience in making the process as easy as possible for you.

Over the past 30 years we've sold thousands of businesses worth more than one billion dollars in Western Australia – so we can safely say our system of helping Sellers to exit their businesses, works extremely well.

Our hard won reputation for doing the right thing by both Buyers and Sellers results in many of Perth's professionals referring their clients to us.

As an indication of the level of expertise in our team, GMO produces an annual 'State of the Market' report on business sales in Western Australia.

This Guide is considered to be the 'bible of the industry,' and is made available to accountants, banks, business organisations, a variety of real estate agents and Chambers of Commerce members.

THANK YOU FOR TALKING TO GMO.

Please make the most of our expertise. We look forward to helping you convert your successful business into cash proceeds which will enable you to build wealth and give you an exciting and rewarding future.



Damien Newnham
Managing Director



Jim Goodwin
Founding Director



CONFIDENTIALITY

Confidentiality is the most important aspect we utilise to protect the Seller. On your behalf we require prospective Buyers looking at your business to be professional, discreet and to respect the confidentiality of the Business they are investigating.

WHY SIGN A CONFIDENTIALITY AGREEMENT?

Buyers are made aware that selling a business is a vulnerable time for a business owner because putting a business on the market may unsettle staff as well as suppliers and clients, causing possible damage to the business. GMO requires all prospective Buyers to co-operate in having information treated confidentially.



Confidentiality may mean being unable to meet or talk to the business's staff, suppliers or clients until the offer is close to being "unconditional". As your agent, GMO will consult with you and follow your instructions on how restrictive and secretive you wish your sale process to be.

6 EASY STEPS TO SELLING A BUSINESS

STEP ONE	PREPARING FOR SALE
STEP TWO	SETTING THE RIGHT PRICE
STEP THREE	MARKETING YOUR BUSINESS
STEP FOUR	THE OFFER
STEP FIVE	DUE DILIGENCE
STEP SIX	SETTLEMENT & HANDOVER

The GMO success formula has proven over thousands of business sales that a good business will sell if:

- ✓ The business is properly priced
- ✓ Full financials are provided
- ✓ Business information and data is professionally documented
- ✓ The business is effectively marketed and well-advertised
- ✓ A pro-active Broker and Seller relationship exists

In many ways selling a business is like completing a jigsaw puzzle. Every completed task and step is needed to fit perfectly into the compilation of a smooth and successful sale where you, the Seller, exit to your satisfaction.

GMO will work with you, your accountant, financial planner and liaise with your legal advisers to construct a transaction where there is a happy Buyer and a satisfied Seller.



STEP ONE

PREPARING YOUR BUSINESS FOR SALE

You only sell your business once, so you've got one chance to get it right.

PLANNING THE SALE OF YOUR BUSINESS

Ideally you, your accountant and GMO will begin to prepare your business for sale well before you put it on the market. You want to ensure your business is represented at its best and highlighting its unique features and benefits.

MAKE YOURSELF REDUNDANT

Make it easy for a Buyer to step into your role. If you have all the knowledge and skills to run the business, the Buyer's greatest fear is that the business will walk out the door when you do.

Document the policies and procedures that exist as unwritten rules. It is advisable to systemise the various functions of your business and create a Procedures Manual. Any Buyer will then be able to operate the business without the need to rely on you.

Each employee should have a documented clearly defined role, and a designated set of tasks and procedures, which leads to measurable outcomes.

BUSINESS RELATIONSHIPS

Subject to your confidentiality needs, GMO will also help to document the relationships which are key to your business. We recommend converting any verbal agreements with suppliers

and clients into written agreements wherever possible. Written agreements will make your business stronger and builds confidence in potential Buyers. Examine existing contracts with suppliers and customers to ensure they will not expire or require renegotiation just as a new owner steps in.

BUSINESS FINANCIALS

Ensure your financial records are up to date to clearly demonstrate the true profitability of your business to a potential Buyer.

- ✓ **Debtors** – collect all payments that are overdue from your clients. Potential Buyers may be discouraged about buying a business with clients who take a long time to pay their accounts.
- ✓ **Creditors** – ensure you are not late with payments to your suppliers. This will create a positive impression of the financial strength of your business.
- ✓ Produce monthly **profit reports** to demonstrate to your Buyer your ability to monitor and manage the performance of your business.
- ✓ Prepare audited **financial statements** so the potential Buyer is confident of the financial performance and value of the business.



BUSINESS PRESENTATION

Similar to selling any other valuable asset such as your home, there are several practical steps you can take to create a good first impression to a potential Buyer. You will improve the perception of value to the Buyer and may increase the price you can ask for your business.

- ✓ **Inventory** – sell all obsolete or slow moving stock items. This will improve both your sales figures, and eliminate disputes about the value of inventory during the sale.
- ✓ **Plant and equipment** – sell any redundant or obsolete plant and equipment, machinery, spare parts and scrap that are no longer required.
- ✓ **Business premises** – look at your premises with the eyes of a potential Buyer. Clean up, maintain and paint the premises where necessary. Ensure the premises comply with all regulatory requirements.
- ✓ **Employees** – Retaining key employees after transition to the new owner may be important for a successful sale. Determine which employees are critical to the business and those prepared to stay. Ensure all employee contracts are up to date and calculate the staff entitlements.
- ✓ **Commercial premises leases** – Review business premises leases and ensure the lease does not expire or require renegotiation during the time when you plan to sell the business.

“Well, the sale has settled and we want to thank you for your part in helping it all come together. It was reassuring to have someone like Wilna who was so calm and knowledgeable, and who enabled the deal to go through with minimal stress.”

**– Ian & Margaret Harris
Westend Commercial Services**



STEP TWO

SETTING THE RIGHT PRICE

You can only sell your business once and you don't get a second chance so you and GMO need to obtain the best possible fair price which the market will pay.

Remember that Buyers do want to pay the right price. Buyers will basically have a clear sense of fair market value as they are considering various businesses at the same time. Buyers do feel more comfortable when they investigate businesses offered at a fair market price.

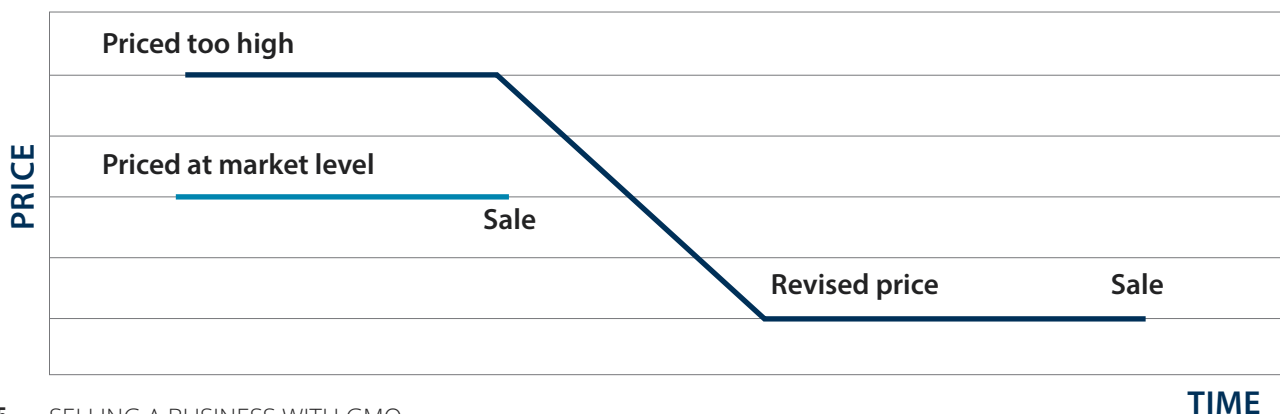
Determining the fair market value of your business is the most contentious part of selling. You want to set the highest price the market will bear so that you are rewarded for the years of hard work you've put into the business, while the Buyer wants the highest future profitability for the lowest price.

Getting the right price is all important! **The first few weeks of marketing a business are critical.** If the price is too high you may have a false start. To avoid a disappointing start you need to properly and accurately set the market price.

Remember the market place is not necessarily interested in what the business owes you. Nor is the market interested in what you owe the bank. The business is worth what the market will pay, however an attractive and informative presentation of the business by GMO will enhance market value and having GMO represent what you consider to be the strong points of the business will attract keen Buyers.

What creates market value? Market value of any product is largely determined by SUPPLY and DEMAND. If there is a wide supply then value will be lower, whereas if there is low supply then value will trend higher. GMO can show you data on the supply and demand for businesses in your industry and the sort of returns and yields Buyers expect in return for risking their capital.

On some occasions it may be preferable to offer the business with no specific asking price. "Expressions of Interest" or a "price indicative range" are other methods of presenting the business to the market. Your GMO consultant can assist you in deciding how to approach the marketplace.





APPRAISAL

THE STABILITY OF PROFITS

The stability of profits is an indication of the likelihood of earnings continuing after the Buyer has assumed ownership.

Essentially, a business is worth what the market will pay for it, but as basic guideline, value usually relates to expected returns as well as the level of perceived risk. The price is usually based on a multiple of earnings. For instance, a business regarded as “very safe” may fetch a high multiple of earnings while “less safe” businesses may sell for a lower multiple of earnings.

The role of our Brokers is to explain this in full to you – so do feel welcome to ask questions as you must have a full understanding of what the Buyer is paying for and a good appreciation of the business’s achievable market value. You are then ready to exit your business and commence the listing and sale process with GMO.

There are four key aspects to a business that a Buyer pays for:

- 1. The tangible assets such as plant & equipment.**
The plant includes shop fittings, office equipment, computers, machinery and sometimes includes vehicles.
- 2. The stock or saleable inventory of the business.**
This stock has been paid for by you (the Seller) and you are reimbursed by the Buyer at settlement for that cost. The Buyer then owns the stock and can upsell it to the customers for a profit margin.

3. Intellectual Property

This may include items such as patents, trademarks, operating systems, designs/drawings/logos, recipes and formulae.

4. Goodwill

Goodwill is the expectation that the customers will continue to patronise the business, regardless of who owns it. Goodwill is a consequence of profits and the level of goodwill is determined in part by the consistency and level of those profits.

The total purchase price of the business is made up of those four components. Effectively, the plant, equipment, stock, intellectual property and the use of those assets by the owner of a business result in customers liking and patronising the business. This patronage results in the business being profitable.

HOW A BUSINESS IS VALUED

The profit of a business is “valued by the marketplace” on a yield on the purchase price or a multiple of profits. The most common way this is expressed is as a Return on Funds Invested. That is: the profit divided by the total price and multiplied by one hundred per cent. The formulas look like this:

$$\begin{aligned} \text{Purchase Price} &= \text{Profit} \times \text{multiple} \\ \text{OR Purchase Price} &= \frac{\text{Profit}}{\text{ROI \%}} \\ \text{OR Return on Investment (ROI)\%} &= \frac{\text{Profit}}{\text{Purchase price}} \times 100 \end{aligned}$$

For example: if the ROI is 50% then that would mean at the current net profit and the price paid, it will take the Buyer 2 years to recover the purchase price.



STEP THREE

MARKETING YOUR BUSINESS

Once you've prepared your business for sale and determined its value it's now time for GMO to find a Buyer. GMO will determine the ideal target demographics likely to be interested in purchasing your business. We tailor our promotion to attract as much Buyer interest as possible.

Your GMO Broker will help you explore your immediate networks. This could include competitors, customers, employees, friends, family and industry professionals. You never know who might be interested in buying your business.

GMO will also have Buyers on their mailing and E stream lists who are in the market to purchase a business similar to yours.

At this early stage, GMO will advise to maintain confidentiality of the proposed sale. We will use general terms to advertise your business and place web advertisements that don't divulge your business name. There are many advertising channels to choose from which include:

- ✓ The internet – there are many websites dedicated to business sales, with GMO's own site www.buyabusiness.com.au being the most popular independent site in WA.
- ✓ Social media – Whether it is to investors, accountants and industry professionals on LinkedIn or direct advertising on Facebook or Youtube, social media is an important platform to market business for sale.
- ✓ Local, state, or national newspapers which usually have a separate classified section devoted to "businesses for sale";
- ✓ Trade journals, specialist publications, or newsletters that relate to your specific industry;

GMO WILL QUALIFY BUYER ENQUIRIES

GMO will obtain a signed Confidentiality Agreement before supplying private financial records to any potential Buyer.

Your GMO Business Broker will meet with prospective Buyers in person and present your business' information profile. Highly interested Buyers may request an on site visit. This will be prearranged with you for a mutually convenient time.

"Very professional and competent level of service. All Jim's experience gained over many years being used to get the transaction happening and then kept it moving to settlement."

**– Mark Gatty
Jackson Paving**



THE BUYERS PERSPECTIVE

Take a moment to place yourself in the shoes of a prospective Buyer. Our experience shows that Buyers seek the following when looking for a new business:

1. To pay a fair price
2. To receive accurate and honest information
3. To secure their future
4. A manageable business with proven systems
5. A business in good repair and without upgrade or maintenance issues
6. A well-presented attractive business
7. A business which is not overly reliant on key staff
8. A business which is not overly reliant on a few key customers
9. A business which is not over reliant on one single product
10. A business which is not overburdened with excess stock
11. A business which has debtor management under control
12. A business where the owner is not a "slave" of the business
13. A business with manageable trading hours
14. A business which can benefit from technology advances
15. A business which can adjust to changes in government policies affecting its industry

No business has all these attributes; however GMO will work with you to identify and emphasise positive attributes your business does possess.

Remember that first impressions do count, so try to prepare your business so when the GMO Broker visits with a prospective Buyer, that your business gives the clear impression of success.

"Renzo Deleo went above and beyond my expectations. Without his commitment and dedication this sale would never have concluded. At all times Renzo had my best interests at heart. I have complete confidence in Renzo."

**—Sarah McLeod
Epic Espresso**



STEP FOUR

THE OFFER

Once the Buyer is satisfied after physically examining your business and analysing the financial statements, they may want to negotiate certain issues before making a formal offer. Think about the following before you start negotiating:

- ✓ Negotiation terms: what do you want?
- ✓ Anticipate compromise: what will you compromise on?
- ✓ Your walk away position: when will you stop negotiating and walk away?

The Buyer's offer will be to buy the business:

- ✓ For a certain price
- ✓ On a certain date
- ✓ Subject to:
 - » Finance being approved by their bank
 - » Their accountant doing due diligence and being satisfied with the profitability
 - » Their legal advisor doing due diligence and being satisfied with the terms and conditions of the premises lease (and also the franchise terms - if the business happens to be a franchise)
 - » All government licenses held by the business being transferred to the Buyer

- » Satisfaction with the staffing arrangements and staff transition to their stewardship
- » Satisfactory assistance from you as the outgoing owner as they learn the business operations
- » Written assurance from you as the outgoing owner regarding a competitive restraint period
- » Any other pre-conditions appropriate to the business such as environmental issues, supplier contract assignments, product warranties etc.

The GMO Broker will present their offer to you and you may either decide to accept or to make a counter-offer. GMO will attempt to mediate on issues of contention such as price, with the aim of achieving the highest possible price for you whilst reaching consensus and acceptance between you and the Buyer.

Once agreement is reached between Buyer and Seller the business is then officially "under offer".

The Buyer's deposit is paid into the GMO trust account and due diligence will then commence. GMO will help you and the Buyer tick off "all the boxes" and undertake due diligence and progress towards settlement.



THE “AGREEMENT TO PURCHASE A BUSINESS”

A Contract of Sale for a business acquisition is a serious document requiring expertise of professionals to ensure your wishes are precisely transcribed into the agreement.

In Western Australia business brokers are legally empowered to help you and the Buyer in the preparation of an Offer and Acceptance Agreement.

Working in co-operation with your accountants and solicitors, we can utilise the 12 page Real Estate Institute of WA Business Sales Agreement documentation.

Our role is to then provide the expertise that facilitates negotiations and brings a finalisation of the sale.

Your alterations, counter proposals and price adjustments will be put to paper meticulously in the REIWA contract form (a form established by REIWA's solicitors to be as mutually beneficial as possible – for protecting the interests of both Buyer and Seller).

Your counter offer will be prepared and presented to reflect your conditions and instructions. Once you are satisfied with how your counter offer is presented, it will then be relayed to the Buyer. Having put thousands of business agreements to bed, the development of satisfactory Contracts of Sale is a feature of GMO's service that we take great pride in.

Our track record in document preparation is exemplary.

AN IMPORTANT DISCLOSURE:

While GMO is happy to assist prospective Buyers in purchasing a business, it should be remembered that **we act for the Seller** and our remuneration is paid by the Seller. Therefore we strive for the best possible transaction for the Seller whilst still endeavouring to treat the Buyer in a fair and respectful manner.

“I've been involved with Kerry O'Hehir in the buying and selling of businesses since 1993. I've found him to be trustworthy, knowledgeable and reliable. He has always been helpful to provide advice when I've asked. I've recommended Kerry to other people in the past when looking for a business broker and I have no hesitation in recommending him to other people in the future.”

– Peter Christianopoulos

Due Diligence

STEP FIVE

THE DUE DILIGENCE

Once the offer is accepted by both the Buyer and Seller, the Due Diligence commences. Due Diligence is an important step in the sale process and involves examining the records of the business so the Buyers are able to verify the validity of financial and operational information.

Due diligence normally occurs once you and the Buyer have signed an agreement to purchase which is subject to conditions. The Seller then gives the Buyer access to all business data, including financials, sales figures, personnel records and customer data.

TYPICAL ISSUES CHECKED IN DUE DILIGENCE

The process involves examining the financial statements, balance sheets, income statements, and cash flow statements if available, as well as recent years tax returns to determine:

- ✓ Full year-end financials for three years
- ✓ BAS statements for three years
- ✓ Copy of lease and any variations
- ✓ Plant list and depreciation schedule
- ✓ Copies of PAYG summaries for three years
- ✓ If legal agreements such as licences, permits, insurance policies, and documents related to intellectual property, franchise agreements, contracts with suppliers and clients are in good order.

- ✓ Employees: Awards, wage and salary information, superannuation payment records. Whether there any staff grievances
- ✓ Operations: List of suppliers and customers – an operations manual is handy
- ✓ The business's reliance/diversification of suppliers and clients
- ✓ Discussion on potential future growth

Due diligence is largely the Buyers task and the Buyers expense, but you should be aware that you should co-operate in the process and there may be some expense incurred if your accountant has to liaise with the Buyers accountant.

If due diligence proves unsatisfactory, then it is common for the deposit to be refunded and GMO will then seek to find you another Buyer after the issues with due diligence have been considered by you, your accountant and with GMO.

Far more likely is that due diligence, finance and lease conditions are all satisfied and you now are ready to exit ownership of the business and proceed to sale.



STEP SIX

THE HANDOVER

Prior to takeover and settlement you will have appointed a conveyancer/settlement agent. They will organise the money movements and liaise with your banker or finance Broker and arrange a settlement time with the Buyer's conveyancer.

They will also liaise with the **landlord/managing agent** on lease assignment documents and also on **transfer of licenses** associated with the business. Your settlement agent will also assist you with **business names transfers** and housekeeping issues such as **utilities**.

As the outgoing owner, you will need to advise termination of your **staff** after the Buyer advises you if they intend to employ all or some of the staff. The Buyer must give you the appropriate time to advise staff members of their future employment and for you to introduce the Buyer to the staff prior to settlement day.

On settlement day you and the incoming owner will arrange:

- ✓ For the stock to be counted
- ✓ To check off all the plant and equipment of the business
- ✓ To transfer control of keys, alarms, domain names, websites, security codes and computer systems
- ✓ The transfer of purchase funds

Settlement usually happens over a weekend.

FINALISING THE SALE

To minimise the occurrence of any problems and to ensure the sale is valid involve a professional settlement agent or conveyancer. GMO can provide you with names of credible professionals to consider.

"We give our highest recommendation for the efforts of Jim Goodwin and Tony Batista in the sale of our business. Jim and Tony handled the process with the utmost professionalism and integrity. We have happily recommended GMO to other people who may be considering selling their business"

**– Kamran Nowduschani & Louise Gordon
Founders of Fiori Coffee**

GENERAL INFORMATION

GST: When buying a business, GST is not applicable to the purchase price as long as the business is a going concern.

DEBTORS: Sometimes it is tidier and advantageous to buy the debtors. This can help tie the debtors to the business giving the buyer a definite client base.

EQUIPMENT: Business sales usually include equipment sold in 'as is' condition. It is reasonable to audit equipment before settlement to ensure all is in place and working. This prevents ongoing issues after the transaction has been completed.

STOCK: The usual practice is to pay 'landed invoice cost' (wholesale price). The Buyer not pay GST on stock as it has been paid by the Seller when bought. The Buyer should not have to pay for damaged or out-of-date stock.

WORK IN PROGRESS: The business may have orders in hand and unfinished work in progress at Settlement. A condition can be included that deals with this in the Business Contract. You need to discuss with us how you feel it should be dealt with.

WHAT IS NET PROFIT? In small and medium businesses, the net profit refers to the working proprietor's profit. It assumes the owner will work in the business every day and the profit made is before tax, before loan repayments and assumes the owner will not also be paying themselves a weekly wage as their income is taken from the profits.

Accountants often describe the small business owners profit as the PEBITDA (proprietors earnings before interest, tax, depreciation and amortisation).

SECURITY OF TENURE: The value of a business is often linked to its right to occupy premises and in many cases (retail businesses) the location is critical. Generally, the longer the lease, the more valuable the business. Businesses with shorter leases or leases with demolition and relocation clauses require more scrutiny.

WORKING CAPITAL: In the first month of trading the Buyer may need funds to run the business while waiting for cash flow to kick in, especially if the business extends credit to customers. This applies particularly to manufacturing, wholesale and service businesses. The Buyer needs to allow for working capital requirements.

Remember, working capital is the money tied up in the business that in effect generates the profits!

STAFF: When the Buyer take over the business they will enjoy the benefits and skills of the staff they inherit, but first be clear between yourself and the Buyer who is responsible for the staff's past, present and future workplace entitlements. Holiday pay, personal leave and long service leave need clarification.



GMO can show you how the REIWA business contract addresses them and your solicitor should also be consulted.

CLIENTS AND SUPPLIERS: The Buyer needs to understand where clients/customers come from and what terms and credit the business provides to them. It is also valuable for them to understand client demographics, purchasing patterns and preferences. Likewise it is critical they understand where the business sources its products from and the terms its suppliers give.

INGOING FEES: The total cost of buying a business is not just the purchase price. GMO can explain to Buyers about budgeting for State Government stamp duty on their purchase, loan application fees, lease assignment fees, accountancy due diligence, legal due diligence, licensing transfers and applications and their share of the stocktaking fee.

UNENCUMBERED PLANT AND EQUIPMENT: Usually when a business is purchased, the Buyer requires the Seller to remove any hire purchase or lease arrangements with suppliers or financiers. The Federal Government has recently established a Property Securities Register (PPSR) where third parties lodge their interest against business assets. The Buyer's conveyancer should check the PPSR to ensure any third party claims are removed prior to the business settlement. The Seller must pro-actively comply in having any encumbrances removed.

BUSINESS SALE TERMINOLOGY

ADD BACKS: Add backs are expenses charged to a business which would not be incurred by an incoming owner. For example, the existing owner may have personal expenses being funded by the business or may have overdrafts or loans which would not apply to the new ownership. Therefore these expenses are "added back" to reflect the profit the business would make without those expenses. In this way the profit is 'normalised' for potential Buyers to examine and consider.

BAS (BUSINESS ACTIVITY STATEMENT): Is the quarterly return of sales and GST reported by business owners to the ATO (Australian Taxation Office)

CASH FLOW: Cash which is generated by a business enterprise. "Positive cash flow" suggests the business does not need extra working capital because the business is able to collect its inwards cash from its customers in a lesser time than it is required to pay its suppliers.

CPI: Stands for the "Cost Price Index" which reflects the annual rate of inflation in Australia.

EBITDA: Is the Earnings of the business before interest, tax, depreciation and amortisation of goodwill. This profit is reflective of management costs being included in the profit of the business. EBITDA and EBIT are common profit description methods for larger privately owned businesses and also for corporate businesses.

ENCUMBRANCES: Are the obligations to third parties, which the business has with reference to plant and equipment or contractual commitments. Buyers need to be informed by the Seller as to the exact nature of encumbrances, so they can make informed decisions about how to treat this in future.

FAIR MARKET VALUE: Is the price at which a business would change hands between a hypothetical willing and able Buyer and Seller, acting at arm's length, in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have full knowledge of the relevant facts.

GOING CONCERN VALUE: The value of a business enterprise which is expected to continue into the future.

GOODWILL: Is the expectation that a business's clients will continue to patronise the business after the ownership has changed.

IAS (INSTALMENT ACTIVITY STATEMENT) Is a monthly report of wages activity reported to the ATO.

INTELLECTUAL PROPERTY: Is the documented technical knowledge, systems, dies, patents, trademarks, websites, domain names, formulae and recipes of the business which contribute to its point of difference.

PEBITDA: Is the proprietor's earnings before interest, tax, depreciation and amortisation. This profit is used commonly for small and medium businesses and is indicative of the profit a business makes BEFORE the owner pays himself a management wage.



PSAV (PLUS STOCK AT VALUATION) Is a purchase term which infers the Buyer will pay the Seller for the saleable stock of the business on settlement, when that stock has been counted and valued by an independent stock-taker.

RESTRAINT OF TRADE: A written promise by a Seller not to compete against the business they have sold for a certain period of time and within a certain geographic area.

ROI (RETURN ON FUNDS INVESTED): Is a business term which suggests a yield on the total investment. The formula is "Profit divided by total purchase price and expressed as percentage".

WIWO (WALKINWALKOUT): Is a purchase term which suggests an all up purchase price where the goodwill, plant and stock are bundled into one price. The stock in these circumstances would not be counted by an independent stock taker and it is implied that the outgoing Seller will leave adequate and normal levels of stock for the incoming Buyer.

DISCUSS THE TAX IMPLICATIONS WITH YOUR ACCOUNTANT

There are many tax issues you may need to consider when selling your business which include:

GOODS & SERVICES TAX (GST):

The sale of a going concern, such as a continuing business, may be GST free if certain conditions are satisfied (subject to tax legislative changes). However, there may be GST implications when you dispose of your capital assets.

CAPITAL GAINS TAX (CGT):

CGT is a tax charged on capital gains that arise as the result of the sale or disposal of assets. The Australian Tax Office (ATO) provides information on how to calculate a capital gain and the various CGT concessions available that may reduce your CGT liability when selling a business.

PRIVATE EXPENSES:

When buying or selling a private company, any advances, loans and debts forgiven by private companies to shareholders and shareholders' associates may be treated as dividends under Division 7A of Part III of the Income Tax Assessment Act 1936.

SUPERANNUATION:

Significant changes to the superannuation system may influence what you do with the proceeds from the sale of your business. Familiarise yourself with these changes by reading the information available on the ATO website.

FINALISING EMPLOYEE/INDEPENDENT CONTRACTOR OBLIGATIONS:

Employers need to consider finalising important tax issues such as fringe benefits tax (FBT), pay as you go (PAYG), superannuation, and eligible termination payments for their employees and independent contractors, even though the business has ceased trading or has been sold.

RECORD KEEPING OBLIGATIONS:

You must keep your business records including sales and purchases, the sale of your business, payments to employees, and payments to other businesses for five years even though you have sold the business.

LODGING FINAL INCOME TAX RETURNS:

If a partnership has ceased trading and the all assets have been distributed during the year, notify the ATO on the final tax return lodged for the partnership.

A company ceases to exist when all assets are disposed of and it is formally deregistered with the Australian Securities and Investments Commission (ASIC).



Notify the ATO on the final tax return if there will be no requirement for the company to lodge tax returns in future years.

CANCELLING REGISTRATIONS:

If you have an ABN, you need to notify the ATO within 28 days of ceasing business. Cancelling an ABN will also cancel some other registrations with the ATO.

LODGEMENT OBLIGATIONS:

When you close your business you need to settle any outstanding amounts. Honour your ATO and State record keeping obligations; lodging final income tax returns; and cancelling registrations.

OBTAINING PROFESSIONAL ADVICE

Common issues to pre-consider when selling your business include:

- ✓ goods and services tax exemption on going concern businesses sales;
- ✓ capital gains tax;
- ✓ private expenses;
- ✓ superannuation;
- ✓ finalising employee/independent contract or obligations

Get advice from your accountant or financial advisor on how the sale of the business will impact on your particular financial circumstances.

GMO'S GUIDE TO A SUCCESSFUL SALE

PREPARING TO LIST

- » Appraise and Assess the Business | **GMO**
- » Study accounts | **GMO**
- » Consult on price, profit and value | **Seller and GMO**
- » Seller consults tax accountant | **Seller**
- » Consult on share sale or going concern sale | **Seller and Accountant**
- » List business and sign authority | **Seller and GMO**
- » Obtain copies of leases (premises and equipment) | **Seller and GMO**
- » Confidentiality arrangements | **Seller and GMO**

MARKETING STRATEGIES

- » Prepare selling brochure (information memorandum) | **GMO**
- » Obtain Seller's sign off on brochure | **GMO**
- » Agree marketing budget | **GMO**
- » Prepare marketing plan | **GMO**

LAUNCH TO THE MARKET

- » Write Web, Facebook, LinkedIn and Print blogs/ads | **GMO**
- » Implement marketing plan | **GMO**
- » Target Buyers/Accountants mailing list sent | **GMO**
- » Buyer response collation | **GMO**
- » Confidentialities signed by prospects | **GMO**
- » Qualify Buyer prospects | **GMO**
- » Qualified Buyer meetings arranged with Seller | **GMO**
- » Physical presentation of business to prospects | **GMO**
- » Educating Buyers on rules of engagement | **GMO**

THE OFFER

- » Educating Buyers on ingoing costs | **GMO**
- » Assist Buyer to compile written offer | **GMO**
- » Present offer to Seller | **GMO**
- » Consult with Seller on price, timing, conditions | **GMO**
- » Complete counter offer | **GMO**
- » Present counter offer to Buyer | **GMO**
- » Gain acceptance from Buyer | **GMO**
- » Advise Seller of acceptance of counter offer | **GMO**
- » Obtain Buyers deposit for trust account | **GMO**

DUE DILIGENCE

WORKING TOWARDS SETTLEMENT

- » Act as go between on due diligence | **GMO**
- » Assist buyer with Business Plan | **GMO**
- » Liaise with Buyer with finance application/assets/liabilities | **GMO and Finance Broker**
- » Liaise with Buyer and Seller accountants | **GMO**
- » Liaise with Buyer and Seller lawyers/conveyancer | **GMO**
- » Liaise with Buyer's banker/finance broker for approval | **Buyer**
- » Liaise with managing agent/landlord for lease approval | **Conveyancer**
- » Seek approval from govt licensing authorities | **Buyer/Seller**
- » Liaise with Franchisor | **GMO/Buyer**
- » Franchise application completed | **Buyer**
- » Prepare settlement docs for conveyancer/ lawyer | **GMO**
- » Ensure PPSR searched by conveyancer for encumbered plant | **Buyer/Conveyancer**
- » Overcome all Buyer objections or concerns | **GMO**
- » Clear all conditions precedent | **GMO**
- » Gain approval from govt licensing authorities | **Buyer/Seller**
- » Gain approval from all third parties with stake in business | **GMO/Buyer/Seller**
- » Arrange stocktake | **GMO**
- » Meeting of parties- phones, staffing transition issues agreed | **Buyer/Seller**
- » Establish new insurance coverage | **Buyer**
- » Meeting of parties- phones, eft accounts, power, websites | **Buyer/Seller**
- » Adjust pre paid accounts, lay buys, warranties etc | **Buyer/Seller**
- » Insurance, work cover, ATO GST registration | **Buyer**

POST SALE

- » Settlement day | **All Parties**
- » Funds Dispersal | **Conveyancer/Lawyer/ Banks**
- » On- site training | **Seller**
- » Post sales liaison with Buyer/Seller | **GMO**

PREPARING TO SELL MY BUSINESS CHECKLIST

1. AM I READY TO SELL?	YES	NO	UNSURE
I want to sell and don't just need a break.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have considered other options, such as bringing in outside management.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
My family and friends support my decision to sell.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I have spoken to my accountant regarding the tax implications of selling my business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe the sale will benefit me financially.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I am clear on my reason for sale (Buyers will want to know the answer to this question so be honest with yourself.)			

2. IS MY BUSINESS READY FOR SALE?	YES	NO	WORKING ON
All Debtors and Creditors are up to date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Inventory has been checked and old stock sold or disregarded	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Plant & Equipment list is up to date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Employees contracts are up to date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Supplier contracts are up to date	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lease has been reviewed & premises is ready for new buyers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3. REQUIRED DOCUMENTS TO ENSURE MY BROKER CAN COMPLETE AN APPRAISAL	YES	NO	N/A
3 years Accountant Financials	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Current year interim management Profit & Loss statement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Current Plant & Equipment List / Depreciation Schedule	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Copy of lease and any lease variations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Current rental statement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Copy of Government / Industry Licences (liquor Licence etc)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Copy of Franchise or License Agreements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Sample of Staff Roster + PAYG Statement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

IF MAJORITY OF ABOVE ANSWERS ARE "YES" THEN IT IS TIME TO ENGAGE GMO AND CONVERT YOUR YEARS OF HARD WORK INTO A FINANCIAL BENEFIT.



WHEN YOU'RE SELLING A BUSINESS YOU NEED

- ✓ **CHOICE**
Numerous Buyer prospects
- ✓ **REAL DATA**
Comprehensive information on
your business in GMO selling
brochure
- ✓ **NETWORKS**
Professional expertise to help you
- ✓ **CONTRACTS**
Expertise to ensure good
documentation



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DISCLAIMER: This brochure is a generic guide only. Buyers of Individual Businesses must seek specific legal, accounting, tax and licensing advice. GMO endeavours to assist buyers but please note we act solely as the Seller's agent and do not represent the Buyer.