

better business

NOVEMBER 2016

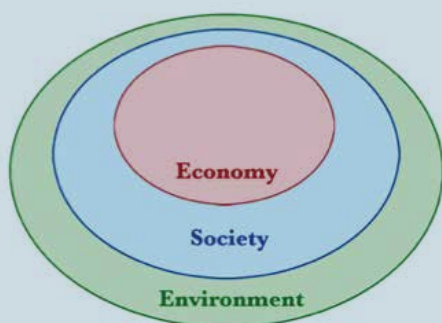
GREEN HOUSE GAS

Back in our February 2016 issue of Better Business, I wrote about Green House Gas (GHG) emissions and mentioned that New Zealand ranks 78th on the table of top GHG emitters worldwide. The point I made was that it was going to take the efforts of the largest emitters to have a material impact on improving the outcome for the planet. NZ especially will be looking for a scientific solution to our agricultural emissions.

However, our world is about more than just GHGs and it is becoming more and more apparent that we can all do our bit to improve the well-being of the planet we live on. It is also increasingly a necessary part of any business' strategic business plan to consider all three pillars of sustainability (economic, community and environment; also known as the triple bottom line). Not only is it better for our planet as a whole, but research has shown that consumers are increasingly willing to pay more for products and services from companies committed to creating positive social and environmental impacts.

At Polson Higgs, we have been working on a number of projects.

One focus has been on the "environment" aspect, as it's proven to be quite easy to make some noticeable gains. Our initial focus has been on paper: reduce, reuse and recycle. Maintaining confidentiality is always top of our mind, but we've introduced document destruction bins to be able to securely recycle paper we no longer need. Old, no-longer-in-use stationery is donated to schools and kindergartens. Most importantly though we've started on a journey to make our office paperless.



We prepare clients' financial statements almost exclusively electronically, using software

programmes such as Xero and SharePoint. We have

recently signed up 80% of our clients to receive invoices, statements and tax notices by email. We are reviewing file storage with a view to reducing volumes of paper held, and will soon be implementing a paperless incoming mail process.

We are reviewing our carbon emissions with the help of Geia, who provide assessment tools to be able to understand our current carbon footprint and provide suggested solutions to reduce this. This will provide us with a range of options we can implement to help us become more sustainable across all baselines.

On the "community" front, we've always fostered and encouraged our partners and staff to be engaged in the community. We have a number of staff who have voluntary roles as treasurers, board members and trustees, contributing to the well-being of a wide range of organisations in our city. We raise funds for a wide variety of organisations – be that a staff member's chocolate sale, our weekly baking stand or our monthly mufti day donations.

A year or so ago we also started our Polson Higgs Charities Initiative, offering local charitable groups our time and expertise to help them with projects they are working on.

It needs to be noted that while the triple bottom line is a worthwhile reporting mechanism, a business does need to make sure that the "economic" result is strong enough to support the "environment" and "community" activities. We'd be happy to discuss this trio with you.

...we can all do our bit to improve the well-being of the planet we live on.



Tim Dunn
Partner

Email tim.dunn@ph.co.nz
DDI 03 474-9705

Xero Tips and Tricks



Polson Higgs offers a free Tips and Tricks event twice a year. We cover a broad range of Xero related topics to help you, our valued clients, run a more

efficient accounting function within your business. One of our favourite features is Invoice Reminders.

What are Invoice Reminders?

Invoice reminders allow you to automatically send your customers an email reminder about their outstanding invoice. You will be able to remind them before or after it's due, it is your choice. The message is fully customisable. But once you get it set up, you don't have to worry about it anymore!

It's easy!

1. Go to Settings/General settings/Invoice Setting/Invoice reminders

2. Turn on reminders by selecting the tick box – they'll start early the next morning your time.
3. Review the preset default emails and check the dates to follow up your "sent invoices"
4. Exclude any customers or invoices that you don't want to chase by going to Contacts or the particular invoice.
5. That's it, one less thing for you to think about!

If you would like to know more about invoice reminders or any other features in Xero please contact the team at Polson Higgs for further information.



Donna Hall
Business System Support Manager
Email donna.hall@ph.co.nz
DDI 03 479-4810

Polson Higgs Wealth Management Launches New Website

Polson Higgs Wealth Management (PHWM) are proud to announce the launch of our brand new website: www.phwealth.co.nz.

The website follows hot on the heels of the updated and improved Polson Higgs website and follows a similar desire to create a useful, clean, easy to use site that will provide a resource for existing clients and introduce ourselves to prospective clients.

PHWM has traditionally provided services to the clients of Polson Higgs but also works with external clients



and referrers. As the business has grown and evolved it is now an appropriate time for us to be able to showcase our services with our own website.

We worked with web designers MYTH for the design and build of the site and they understood from the start that our relationship with our clients was very important to us, and is crucial to our success. We are very happy that they were able to deliver a site that introduces the PHWM team to viewers so well while still including all the useful to know information.

COMPETITION TIME

As part of our launch we are running a competition. Simply answer the question below correctly to be in the draw to **WIN A \$200 PREZZY CARD**.

Which Dunedin beach is the background for the photos on the website? Send your answers through by email to phwealth@ph.co.nz by Friday, 9 December along with your phone number.

Benefits of a Proactive approach



Engaged, productive and high performing employees are the key to any successful business.

That is why we always try to adopt a proactive not reactive approach when dealing with our employee's performance. This approach is something we also encourage our clients to adopt as it has many benefits.

What do we mean by a proactive approach?

A proactive approach attempts to eliminate problems before they arise, whereas a reactive approach responds to the problem after it has happened. It's more beneficial for us to help you protect the top of the cliff rather than be the ambulance at the bottom!

Some of the benefits of a proactive approach are:

- Avoiding conflict
- Minimising risk
- Saving money
- Saving time
- Enhanced engagement and culture
- Increased productivity
- Better manager-employee relationships

Communication! Not surprisingly this is the number one way to ensure you are adopting a proactive approach. Talk to your staff on a regular basis, make yourself available, actively listen and offer advice and support when needed. And be prepared to have those difficult conversations (i.e. the ones that can feel awkward)!

Don't Procrastinate! Deal with issues up front, don't bury your head in the sand. The longer you delay dealing with the issues, not only will the likelihood that

the poor performance will continue to affect your business, but it can also mean instances where an employee's performance has been lacking will become increasingly irrelevant, to use as examples, as time goes by.

We encourage you to call us as soon as you see or think there may be an issue arising. These issues can range from something small to something that could end in dismissal. Some examples we have recently experienced are an employee using their cell phone too much during work time, turning up to work late or conflict between employees. We can have a brief discussion, give you practical advice and steps to follow to ensure you are on the right path and that you get things right from the get go. It is at this stage that if you miss a step or put a foot wrong then it can impact on the process and the end result. By talking to us we can offer you fresh eyes, a different perspective with an objective view which should save you time and money in the long run.



Julia Connor

Human Resource Advisor

Email julia.connor@ph.co.nz

DDI 03 479-4828

DAFFODIL DAY COLLECTORS

26 August 2016 – A group of Polson Higgs staff took turns to collect for the Daffodil drive for the Cancer Association at Mitre10 Mega. The generosity of the Dunedin public was a real pleasure to see .



nomos one



nomos one is an innovative start-up company making a massive impact on the way businesses and individuals manage their property interests. Their client list boasts people from landlords with a single building right through to multinational offices with thousands of properties. Their software has automated the vast majority of what were previously manual systems.

Founded by Jonny Mirkin when he was working as a lawyer at a Dunedin legal firm, *nomos one* is an online software system that takes the risk and hassle out of property management for anyone involved in the property industry, such as lawyers, bankers, tenants, landlords, infrastructure companies, insurers and retailers, allowing them to focus on their core business.

Jonny Mirkin: "I have no background in software, though growing up as a kid I was very much into computing. My brothers and I used to play a lot of games and network our computers, and we went through the full evolution of computing, and I've always really enjoyed that side of things. Through university I started a couple of small companies to fund my studies – like a company resurfacing scratched DVDs; and I used to work at Video Works (taken over by Blockbuster) as the back office repair person, splicing video tapes and so on."

After studying law, Jonny practised for a couple of years, but found it too limiting for what he wanted to do. "I really enjoyed the helping side of things. However, I got a bit frustrated when I thought there could be better ways of doing things." So in 2012 Jonny went to study for his MBA at Otago and Duke Universities, with the intention of coming back to law again in a consulting/business role. "But the MBA opened my eyes to things I hadn't seen before in business. I got really excited and when I returned to the law firm I started what was then *Nomos*. (*Nomos* is the Greek name for the god of law). I convinced the firm to

"I really enjoyed the helping side of things. However, I got a bit frustrated when I thought there could be better ways of doing things."

nomos one
better property software

let me work from their boardroom, and I worked half the day as a lawyer and half the day on *Nomos*."

For a number of years the law firm, trying to deal internally with commercial leases, wanted to make that area more proactive in terms of tracking critical dates, contacting clients and being more efficient. A husband of one of the lawyers had tried to build something part-time, but it never reached a stage of being ready for use. "So we put in an offer of a royalty type of agreement, we built on the idea that he'd started, and that's where the original concept of *Nomos* came about."

The business spent three years building and expanding the product, ultimately launching their latest product, *nomos one*, in mid-2015. To date they've raised several million-dollars worth of funding, they received a Callaghan grant, and they have won several awards for innovation and hi tech. "We've got patents in the system, which is independently recognised as innovating in the property and legal space. Where we are today is very different from where we started, but what we have stumbled into is that the property industry is really inefficient, especially for businesses whose business is not property. Think of retailers, infrastructure, hospitality, all kinds of corporate businesses which have accumulated lots of interest in property, but are not property experts. They are stuck between very manual systems like spreadsheets and diaries, and big heavy bulky property management products which sit there unused. So we got into this middle place, and as a result we have all kinds of retailers as clients." Comments from them range from, "What would have taken over an hour is now taking less than one minute" to, "Anyone that has multiple leases or licences that they need to keep track of, *nomos one* will do it for you."

To date they've raised several million-dollars' worth of funding

The client list includes Genesis Energy, DB Breweries, Night 'n' Day, Barkers' Menswear, Only About Children, Queenstown Airport, Meriton Group Australia. Jonny: "We're at a point now where we are growing our customer base, which is exciting. Our focus is on selling and marketing and engaging with clients."

The help of Polson Higgs has been invaluable in allowing this focus. "The benefit for us is that they have a team that deals with day-

to-day financials, administration, payroll and HR, and so we're able to fit into that model. They deal with the 'out of sight out of mind' stuff, which for me works really well. It also means that when we need particular information it's takes just a phone call."

At the moment the clients of *nomos one* are in New Zealand, Australia and the UK. "However, we have the ability to service anywhere in the world. It's just a matter of getting out there and finding the right people to seek out new clients. We have a 95% retention rate across our entire market, which is really high for the industry, and within our selected market we are 100% customer retention. So we just need to get in front of people, and the system sells itself."

Internationally, *nomos one* is deciding how to get as many people aware of what they are doing as possible. "But Dunedin is the heart of this business, it plays a big part in everything we do, and there are no plans at any stage to be relocating."

FoodShare

Rhodes Donald of Polson Higgs Wealth Management was involved in fundraising for a fantastic charity here in Dunedin called FoodShare by taking part in their main fundraising event of the year, the "CEO CookOff" 2016. Rhodes represented Polson Higgs Wealth Management by being one of 20 CEOs/ Managing Directors who worked with 10 well-known chefs to cater for 250 guests at a three course dinner! The event took place on 19 October and raised approximately \$50,000 for the charity. FoodShare rescues food from local businesses, that would otherwise be thrown out, to feed hungry people in the local community, it also develops educational programmes on food preparation and nutrition.

Disaster Recovery and Business Continuity Planning

Disaster Recovery and Business Continuity planning and practices have been a regular item on the agenda for almost every New Zealand business since the Christchurch earthquakes in 2011.

Before that event, many New Zealand businesses only paid lip service to those important matters. "It probably won't happen to us" was not the best way to manage business continuity risks as many Christchurch and Canterbury businesses experienced first-hand.



Post-2011, it's a different story for organisations right across New Zealand. "It probably won't happen to us" has now become "it could happen to us and this is what we're going to do." Business continuity plans have become a reality instead of a conversation and organisations are investing in new and improved disaster recovery technologies.

At Polson Higgs, we are very serious about business continuity and have had a rigorous backup regime and associated practices since we commenced business 20 years ago.

This year we've revised and improved our business continuity and disaster recovery planning and have recently reached two important and significant milestones for our business.

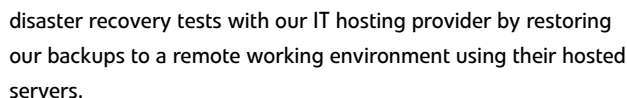
1. Our business continuity plans have been re-written with significantly improved detail. We also store those plans using cloud storage consequently enabling *anytime, anywhere* access to those plans.

2. We are using new backup software technology to store backups of our servers via the Internet to a New Zealand-based IT hosting service provider. While we still utilise internal backup systems, our critical servers are replicated offsite using this new software.

As Business Advisors and Chartered Accountants, these improvements to our disaster recovery practices deliver a robust and workable business continuity plan for our business. This gives us the confidence that we can operate our business from almost anywhere if a major event prevented business operations from our current Dunedin premises.

As an IT professional, I'm very excited about this new generation of backup software that encompasses the second milestone in our business continuity plan. Backing up our servers across the Internet replicates backup copies of them to our IT cloud backup provider.

...we are very serious about business continuity and have had a rigorous backup regime and associated practices since we commenced business 20 years ago.



This effectively provides off-site storage of server backups.

critical network servers was unavailable for any length of time. Recovery times to restore central IT operations for our business has reduced from days or weeks to hours.



Shane Boyle
Information Technology Manager
Email shane.boyle@ph.co.nz
DDI 03 474-9710

On 1 April 2018 the provisional tax regime will undergo a major change for thousands of businesses and while this seems a long way out, for tax planning purposes it is actually not too far away! It's important to get a more detailed understanding sooner rather than later to see how these changes may be of help (or hindrance) to you.

For businesses with fluctuating income this means that the provisional tax obligations will line up better with actual profits rather than last year's business results.

will also have the ability to exclude certain people or classes of people, for any bad behaviour.

For businesses with fluctuating income this means that the provisional tax obligations will line up better with actual profits rather than last year's business results. In essence provisional

tax will operate more in line with GST obligations and potentially refunds of overpaid provisional tax might be available prior to the year end. New businesses will pay tax in their first year based on their actual income, rather than deferring their payment for the terminal tax and provisional tax hit in April/May the following year which can be a cause of businesses to fail.

However, it also means that care needs to be taken with the live data, as this will be what tax payments will be based on and some of this information will be transferred to IRD at the same time as the tax payment.

Some core tax adjustments will be built into the accounting software. In addition IRD have suggested that software should allow a third party (Polson Higgs) to be able to review the data and the provisional tax calculation prior to the payment being made. This would allow tax agents to check that the correct treatment of expenses and income has been made, to reduce the incidents of errors

For people using the new AIM method, if a taxpayer's year end assessment results in an underpayment, Use of Money Interest (UOMI) will not be charged as long as the payment calculated by the AIM software is paid.

The other big ticket item in these provisional tax changes is the softening of UOMI. Previously, UOMI became payable for individuals if there was an excess of unpaid tax of \$50,000. Non-individual entities such as Companies and Trusts are currently liable for UOMI on any unpaid tax.

For taxpayers continuing to use the safe harbour method, the UOMI threshold will increase to \$60,000 and will be extended to non-individuals. Also UOMI will no longer apply for the first two instalments meaning IRD interest will not start until after the end

of the year. This will be a big advantage for companies who have previously paid UOMI on any underpayment and this change applies for the 2017-2018 financial year.

Finally, there will be the ability to "transfer" provisional tax obligations of a shareholder to the company for their shareholder salary, for those using the safe harbour and estimation method of paying provisional tax. This will be known as the Provisional Tax Attribution method. The company at year end would then transfer some provisional tax paid as a tax credit. This change is mainly targeted at small family companies, and the benefit is to limit the provisional tax regime to the company, and exclude the individual shareholders from the regime where possible.

This collection of amendments will mean substantial positive changes for all businesses currently within the regime, and potentially lead to less compliance and interest costs in some instances. The AIM method still has the finer technical details to be worked through, however, for some there will be clear advantages on basing tax payments on actual financial results. If you think the AIM method might work for you then please contact us.



Michael Turner
Taxation Services
Email michael.turner@ph.co.nz
DDI 03 474-9706

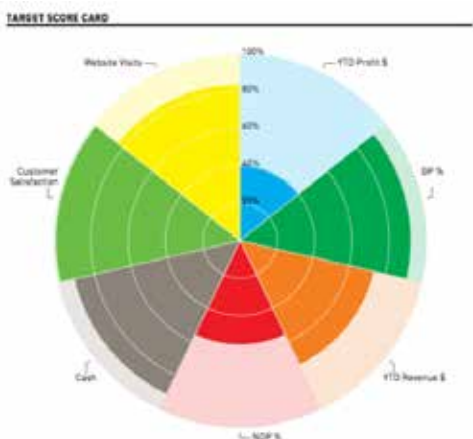
How is your business performing this year and how do you know this?

Information is power and this is true for your business decisions. The more you know, the more you can control and the more you can influence what happens next. Regular reporting helps you take control of what happens next.

The pace of change is happening so much faster than ever before. The scary thing is that it's only going to get faster. Taking the time to see what is going on around you and how you are placed is vitally important. Take the time to see where you were at last month, and what needs to happen for your business to achieve its plan or budget.

Polson Higgs provide management reporting packs for clients. Whether in a competitive market or not, clients want to know where their business is placed. They want to know if their costs are under control? What big costs are coming up and are the funds available? What are the tax implications going to be?

What we are doing with these clients is removing hidden surprises and reducing risk. We are identifying areas of attention as they happen so that they can be controlled and risks mitigated.



Having this information available to you in a timely manner lets you make a decision in a timely manner. How often do you have your head down focusing on the day-to-day

running of the business that you forget to look up and see what's coming?

To make sure that you aren't being caught in the headlights and are prepared for what's coming, we recommend

that there should be some monthly, bi-monthly or at least quarterly management reporting.

Actual vs Target		
	Actual	Target
Profit	81,258	200,000
GP %	68.8%	75.0%
Revenue	441,997	600,000
Net Operating Profit %	18.4%	33.0%
Cash	18,223	20,000
Customer Satisfaction	84	85
Website Visits	4,196	5,000

You may think that this information is only important for a growing business. How often do you see a house being done up before it is sold? The same is true for a business, having a timely and reliable set of financials is a helpful selling tool.

Polson Higgs management reporting can provide traffic light reports, graphs, variance analysis, cash flow summaries, written reports and other reports such as KPI and non-financial reporting which are equally important to your business.

Our clients receiving management reports use them in their decision making. They provide the basis to start asking questions and look for improvements.

If you are serious about improving your business performance and growing your business value, then talk to your Polson Higgs advisor today.



David Hogue
Assistant Manager, Accounting Solutions
Email david.hogue@ph.co.nz
DDI 03 479 4803

SPECIAL RIGS FOR SPECIAL KIDS

Polson Higgs has been involved with this special day for many years where we have sponsored the sausages for the sausage sizzle for the kids and drivers who take part in this exciting day. Joe Thomas, one of the organisers always comes to our office to present us with a certificate of thanks. This is the 25th year this event has taken place and everyone involved is very proud of what they can contribute to the community.



YOUNG FARMERS

In early October this year a group of four from our Accounting and Taxation divisions joined the Otago Southland branch of New Zealand Young Farmers for their regional round up weekend. The invitation to attend the weekend came as part of a thank you to Polson Higgs for the sponsorship offered to the group and is something Polson Higgs is looking to continue next year.

Sponsoring Young Farmers Otago Southland has given Polson Higgs the opportunity to network with the next generation of up and coming rural community members while also helping to ensure events such as the recent regional weekend could be a success.

The weekend started off with an industry breakfast where, while enjoying a fantastic cooked breakfast to keep the participants going for the day, a number of speakers presented. Speakers included Richard Young, Director of Silver Fern Farms, Nick Abbott and Phil Hunt, Federated Farmers and Tim O'Sullivan, Director of Sustainable Water Ltd.

The two key topic areas discussed revolved around the implications of genetic modification and the impact that would have on farming in New Zealand. Participants were encouraged to learn about what this could mean and form an opinion on where they believe New Zealand should head and how this should look. The on-going impact, implications of environmental issues and the increased restrictions and compliance this can ultimately bring, were also considered.

It was good to hear the next generation of farmers taking an interest in the matters being discussed providing their opinion on where they see these areas heading and what they felt this meant for them and the industry in general.

Following on from the breakfast, the group moved on to Hayes Engineering in the Ida Valley where Ken Gillespie gave the participants a first-hand look at some of the innovations made at the engineering works in the early parts of this century and how some of these innovations, and even some original pieces, can still be found on the farm today.

The last official stop for the day was a farm tour around Ida Valley Station where Callum Paterson talked about the various ups and downs over the last couple of years and his experiences in implementing a new dam and pivots on the property, as well as his experience in using a mix of both Lucerne and Ryecorn with careful crop rotation management to increase the productivity of low lying hill country.

From our point of view, it was a good experience to get out and meet with the next generation of farmers coming thorough and especially useful to see how they saw the future and what was important to them. We look forward to our continued sponsorship of the Otago and Southland branches of the New Zealand Young Farmers into the future and hope to continue working with the group and wider community as they continue to develop.



real people, better business

SENIOR TEAM

Partners

Business Advisory

Stephen Higgs

Steve Dunbar

Tim Dunn

Henry van Dyk

Michael Turner

Taxation Services

Business Advisory

Associate

Consultants

Carole Adair

Philip Broughton

Jim Reay

Hamish Walker

Accounting Solutions

Jamie Reidie

Jenni Redding

Alison Glover

Business Systems Solutions

Donna Hall

Information Technology

Shane Boyle

Payroll Services

Michelle MacDonald

Human Resources

Julia Connor

Training

Paul Galloway

Wealth Management

Rhodes Donald

PolsonHiggs
BUSINESS ADVISORS

Email: betterbusiness@ph.co.nz
Location: 139 Moray Place, Dunedin 9016
Postal: PO Box 5346, Dunedin 9058
Phone: 03 477-9923
Fax: 03 477-9795
www.ph.co.nz