



Topdressing company spreads its wings

By his own admission, Des Neill is a late bloomer in the aviation industry, qualifying for his commercial pilot's licence at age 29.

Now, Des and his wife, Elaine own Otago Airspread Ltd, a rural topdressing company they established in 2000.

The couple, previously sheep and beef farmers at Portobello, have been clients of Polson Higgs for the past 20 years.

Otago Airspread's fortunes follow that of farmers but some really tough years have given way to unprecedented demand for the company's services in 2011.

Des has a fleet of four planes, the most recent purchase a Cresco, which he describes as "the Rolls-Royce of top-dressing aeroplanes." Only 38 were built - it is number 33 - and there are just three in the South Island. It is the only one of those three that is privately owned, with the other two owned by Ravensdown Fertiliser.

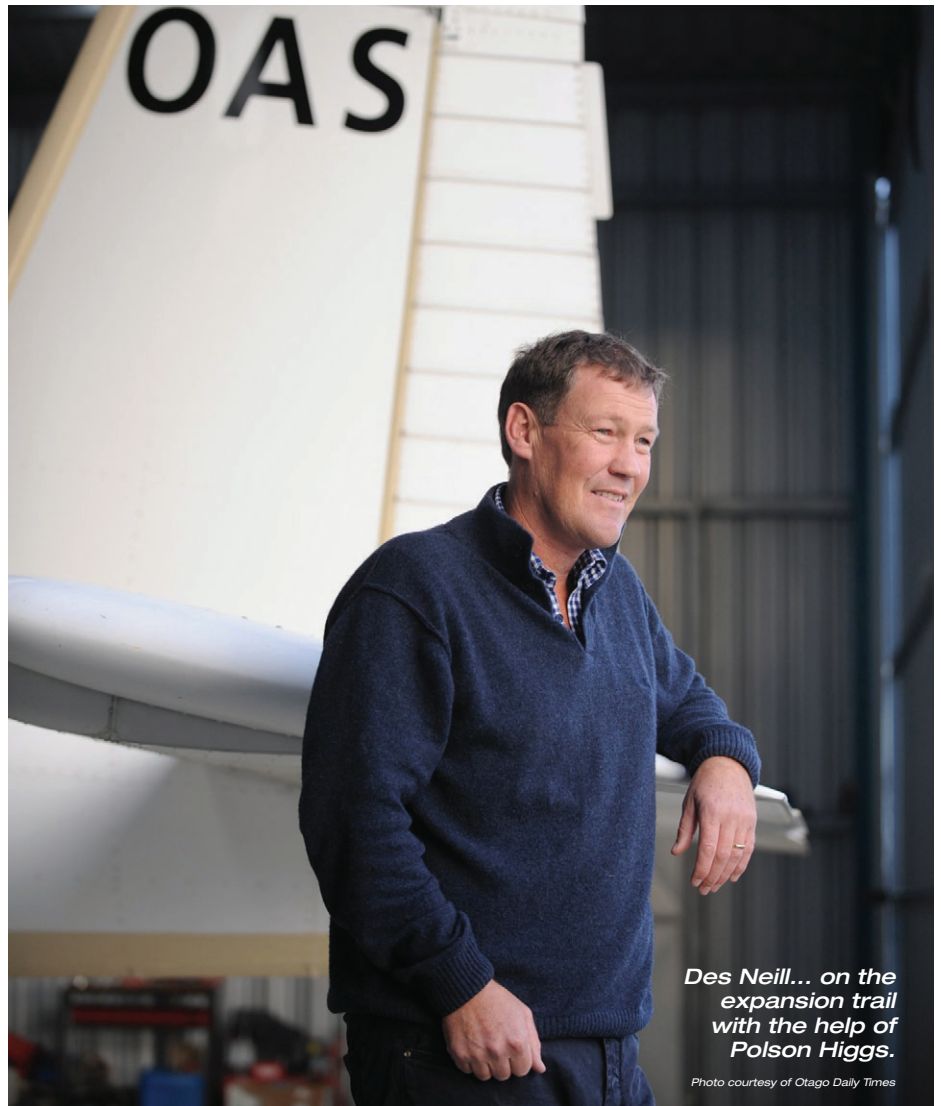
When Des and Elaine began the business they were initially flying a piston-powered Fletcher. The following year, they bought their first turbine Fletcher and in 2003 bought the business of Dave Reid, at Roxburgh, who was ready to retire, and then added a second turbine aircraft in 2005.

Otago Airspread recently bought the fixed-wing side of Willow Air operation in South Otago, after owner Jeff McMillan decided to concentrate on his helicopter business.

"It's only thanks to the loyalty of our clients that we've been able to grow. In the tough times they recognised the importance of continuing to use fertilizer even though it was another cost."

Henry van Dyk, a partner in the Dunedin office of Polson Higgs, has worked with Des for the past 10 years to help grow Otago Airspread. This has included finance applications to banks for funding to buy the highly regarded Cresco workhorse and, more recently, the Willow Air business.

"Businesses need to spend time forward planning so that they have a road map of where they are going and they know what they want to achieve. To make sure they are on track, they need to regularly prepare a cashflow report (Otago



Des Neill... on the expansion trail with the help of Polson Higgs.

Photo courtesy of Otago Daily Times

Airspread does this every two months) so they can compare their projections with the current given situation.

"The key for most smaller to medium sized businesses is to keep an eye on turnover. Often in a service business expenses tend to be fixed and are dependent on a certain level of turnover to ensure that profitability is being maintained. If you can meet your turnover targets, then generally you will be achieving your profit targets," Henry says.

Polson Higgs also looks after all Otago Airspread's

general compliance work including invoicing and PAYE.

Henry: "So many small businesses get tied up in administration and it takes them away from concentrating on the core business. Being able to pass those tasks onto an advisor leaves them free to concentrate on their business."

Otago Airspread works throughout Otago, with the exception of North Otago, with a lot of high-country properties, balanced by lowland farms.

Last chance for free money growing on trees

The Emissions Trading Scheme (ETS) is moving forward. Despite a recent review report that encourages some tempering in the pace of change, the ETS is in full swing as regards forests in New Zealand.

A key date to be aware of is 30 November 2011, especially if you have more than about 10 hectares of trees on your land and those trees have been there since 1 January 1990. The end of next month is also a key date if you have harvested trees since 1 January 1990 and replanted. Although the actual trees on your land now were not there at 1 January 1990, provided there were trees on your land at 1 January 1990, then your land and trees are "pre 1990 forest land".

If you have pre 1990 forest land, 30 November is crucial because it is the last chance to apply for free credits (which could be worth about \$1200 per hectare of forest land) as compensation for your compulsory entry into the ETS.

Polson Higgs partner Noel Walton has been helping a range of clients with land from Mangonui in Northland to Gore in Southland with their pre 1990 forest land. To date the work has focused on helping clients to make choices about exemptions, applying for credits or doing nothing (while understanding the implications of doing nothing).

"The time for exemptions has now passed. The only choices left are to apply for free credits or do nothing."

Doing nothing is a valid option if you think the land is best suited to forestry indefinitely and the trees will always be replanted after harvesting. But



if you have more than about 10 hectares of pre 1990 forest, consider the simple maths that you might get credits worth about \$1200 per hectare (say \$12,000 plus) while the costs of getting the free credits are anything up to about \$4000 providing you with a return of at least 3 to 1. And you still harvest and replant as you were going to do anyway.

Noel is happy to talk to any interested people about trees, land use and the ETS. In conjunction

with Forest Management Ltd, Noel is able to arrange applications for free credits provided the application is under way by 1 November. It is possible the 30 November deadline may be extended, but don't bet the farm on it. Treat 30 November 2011 as your last chance to harvest the free money on offer.

For further discussion or assistance with claiming credits, please contact Noel Walton in Christchurch on 03 372 0353.

Big changes for small entities

Proposed changes by the Government "to simplify the financial reporting framework for small and medium-sized businesses and registered charities" may be less appealing than at first glance.

The aim is to reduce red-tape and, hence, reduce compliance costs for small and medium enterprises.

Although laudable, our view is that they will lead to additional costs for some while others will continue to require relevant financial information for their purposes as owners and managers, as well as for external parties such as banks.

The changes

The proposal looks at removing what is currently called general purpose financial reports and replacing them with targeted reports for tax purposes.

Broadly, it is proposed that new simplified

accounts will be applicable for entities that have turnover of less than \$30 million and assets of less than \$60 million. However, requirements will differ depending on whether your entity is a company, a trust, a limited partnership or charity.

For some charities and not-for-profit entities the proposals will undoubtedly lead to additional accounts preparation costs as parts of this sector have previously had no guidance about the accounts they need to prepare.

Importance of information

While these proposals will affect the format of the financial accounts that are required from a legislative perspective, we will continue to work with you to provide financial information that is relevant to your business and the decisions you need to make.

If the proposal goes ahead as planned, the coming months will see our own professional body - the New Zealand Institute of Chartered Accountants

- developing a framework for the new reports that "finds the balance between cutting unnecessary bureaucracy and having the right tools for solid financial management and assessment of business health," according to Terry McLaughlin, NZICA chief executive.

What do you need to do?

We are currently in "watch this space" territory and await more detail before we can assess the impact on your business.

Polson Higgs will be looking to provide feedback to NZICA about any proposed simplified framework and we welcome any feedback from your perspective. Please feel free to contact your Polson Higgs advisor if you wish to discuss these proposed changes further.

We will, of course, keep you up to date with future developments.



