



Thinking big works well for trucking business

Transporting logs for Canterbury's largest forest owners while seeing the family business double in size overnight has meant a demanding start to 2008 for SML General Manager, Chris Murphy and his father, Director Steve Murphy.

After being successful securing a three-year contract to despatch and distribute logs for Rayonier, SML purchased McCarthy & Wilshier Transport Ltd, whose workforce moved from its Rangiora site to SML's base at Kaiapoi. The business now has 49 staff, who help to manage the 40 truck fleet. HR issues, such as reviewing individual employment contracts for all staff, have been among the challenges with combining two cultures.

To ensure the transition went ahead as smoothly as possible, Chris and Steve, who set up SML 25 years ago, have drawn on the expertise of Polson Higgs.

"This has been a significant growth period for our company and Phillip Roth (Polson Higgs Partner) has been very involved in helping us with the strategic planning as well as guiding us through the process and ensuring we are continuing to operate a

well-oiled machine," Chris says.

Phillip, who has become a director of SML, has also ensured that the Murphys have a viable succession plan in place to ensure that there is continuity, and to maintain confidence among staff and customers. As well, Polson Higgs regularly reviews the business's financial statements.

Chris joined the business 17 years ago, after completing an apprenticeship in building and then having run his own building company. He began at the bottom of the ladder at SML, as a self-loading truck driver and then moving towards despatch manager before taking on his current role as General Manager/Director.

His background has prepared him well for the demands of an industry that he describes as "selfish" for those with families. "Our drivers start work at 4am and often don't get home till 6pm and they are whacked by then. Many are getting up around 2.30am. But we can guarantee that they won't be away overnight or have to work weekends."

While carting logs for Rayonier and P F Olsen, another major arm of the business



Chris Murphy, SML General Manager.

is the bulk woodchip division for NZPP. SML also works alongside other log transport operators around the South Island so their territory extends from Richmond to Dunedin.

The huge mileage means the truck fleet requires regular maintenance and SML operates a busy workshop on site. Trucks are serviced every 5000km to ensure they can clock the required 120,000km on average each year.

Chris says the forestry industry in Canterbury is operating at its peak now and will gradually decline in some areas over the next few years - however, he is confident that his business will not suffer the same fate.



Polson Higgs Partner and Chief Executive Graham Crombie has been appointed as President of the New Zealand Institute of Chartered Accountants.

Graham, who joined Polson

Top Institute role for Graham Crombie

Higgs 25 years ago, worked in Polson Higgs predecessor firms' Auckland and Melbourne offices before he returned to live in Dunedin, where he was born and educated.

He relishes the variety of his present role and says working with positive people and empowering them is important. "Surround yourself with really good people; keep your ego as small as you can, and you don't need to be in control of everything," he says.

He also enjoys governance

roles - he is Chairman of the boards of Otago Polytechnic and South Link Health, a not-for-profit independent health practitioner association.

Graham believes it is important to strike a balance between working hard and living life to the full. To this end, he has embarked on several fitness-related activities including: riding his mountain bike in the Taupo Challenge (160km), which he has completed three times, and the Dunstan Cycle Challenge (100km). He has also

kayaked in Antarctica and mastered a jetski.

A talented musician, he was once a bass player in both the St Kilda Brass Band and the National Youth Brass Band. Much of his leisure time is spent with his wife Janet and sons David and Michael. During his presidency Graham plans to visit the Institute's branches to help them celebrate the Institute's centenary year. Even with this busy schedule, Graham will continue to work with clients, partners and staff of the firm.

Golden glow at Masters Games



Gold medallists from Polson Higgs were from the left: Michelle Thorn (touch rugby), Steve Thomas (rowing) and Rosemary Allot (tennis).

Three Polson Higgs staff members returned to work as gold medal winners at the end of the Masters Games, which were held in Dunedin in February.

Steve Thomas was a double gold medallist in rowing, Rosemary Allot scooped her gold in tennis, and Michelle Thorn's team won gold in the touch rugby women's league (having played in the men's league).

Other staff members who were among the 7000 competitors were: Stephen Higgs and Les Stewart (tennis), Carole McCormack (wine appreciation), and Tony Wilson (soccer).

The Masters Games, which is the largest annual event on New Zealand's sporting calendar, drew competitors in over 70 different sports and events to the city. Countries represented included: Sri Lanka, India, UK, USA, Canada, Japan, Australia and the Ukraine. Some competitors were over 90 years old.

Polson Higgs congratulates all the staff who took part and especially those who won medals.

Provisional tax alignment with GST dates

Recently moves were made to align provisional tax dates to GST due dates. As a result, taxpayers are now able to make provisional tax payments at the same time as their GST returns.

Most taxpayers will be aware that GST is now due on the 28th of the month. The exceptions to this are the payments that are due on:

- 28 December, which will be due on 15 January; and
- 28 April, which will be due on 7 May.

Provisional tax will continue to be paid in three installments a year for most taxpayers. In general terms, provisional tax is due on the 5th, 9th and 13th month after balance date.

For most taxpayers (with March or June balance dates) therefore, provisional tax payment dates will be:

Balance date	Provisional tax payments due		
31 March:	28 August	15 January	7 May
30 June:	28 November	28 March	28 July

The exception to the above rule is taxpayers who file six-monthly GST returns. Provisional tax payments will be made twice a year for these taxpayers, at the same time as their GST payments. Therefore, those with March balance dates will make provisional tax payments on 28 October and 7 May.

Taxpayers who are not registered for GST will pay provisional tax on the same dates shown above for a March or June balance date (unless they have a different balance date).

Provisional tax is paid on the same form as for GST payments. Any GST refund is able to be offset against provisional tax due. Voluntary payments can still be made at any time, and there is no change to terminal tax dates.

For confirmation of your revised provisional tax and GST payment dates, please contact your Polson Higgs advisor.

Realistic setting for new play



The offices of Polson Higgs in Dunedin became a night-time stage for a unique collaboration between the business and a local theatre company recently.

Wow! Productions presented a two-woman play called Tracey and Traci, which revealed the working and private lives of two cleaners.

Dunedin actors Barbara Power and Hilary Halba, pictured, and director Clare Adams were so keen to make their fly-on-the-wall look at cleaners realistic, they joined the real cleaners on site for a month as part of their rehearsals. Hilary said the experience had given her a new found respect for the job they do and it also enabled them to write dialogue that was authentic.

Barbara, Hilary and Clare found that one of the most valuable aspects in preparing for the play was the friendly atmosphere and high energy levels in the building during work hours compared with the feeling of the building in the evening. This gave them a good sense of the culture of Polson Higgs and a base for the setting of their play.

Polson Higgs was happy to oblige the theatre company's unusual request. It was an opportunity to show the firm's support for cultural activities in the community.

The play's season lasted one week, and because there was room for only a 12-strong audience at each performance, the total audience was limited to just 84. Some Polson Higgs Partners and staff were among the lucky few, keen to view their offices in a different light.

Business moves into top gear



When motorcycle enthusiast **Wayne Pocklington** bought into a Dunedin business last July it appealed as both an opportunity and a challenge.

However, the task that awaited Wayne and his business partner at Honda Otago was more formidable than either man expected and they soon sought assistance from Polson Higgs to "sort out all the problems the business had so that it could be steered in the right direction".

The business systems have undergone a major overhaul during a challenging nine months for the dealership, which holds the franchises for both Honda and Triumph, selling both new and used bikes and accessories as well as operating a workshop.

Polson Higgs Partner Michael Turner and accounting software specialist Donna Cameron have worked extremely hard to understand the business and the information being produced. Donna's computer expertise was used to determine what changes were needed to try and work with current systems to gain material that was accurate.

Michael initially looked at what the vendors had represented to the new owners as regards the business, and prepared accounts to try and reconcile two sets of figures and identify any discrepancies. He then worked closely with Wayne to ensure systems were put in place that give an exact gauge of activity and profitability, including two-monthly sets of accounts.

"We are now in a position where we believe information is reliable. Systems are in place that are being appropriately managed and the business is trending in the right direction," Michael said.

Wayne said that "the rev-up" delivered to the business has resulted in several improvements and it has "turned a corner."

Wayne believes Polson Higgs has played a large role in addressing the issues facing the business. "It's essential to use a company that you have faith in because this was a business needing more than band aids. It couldn't have been repaired without a high level of expertise."

Now that the initial purchase, systems and computer software issues have been addressed the business will be able to focus on some of the opportunities which exist. As Wayne explains: "We're lucky because we service a strong farming base and we also sell and service a lot of road and moto-cross bikes. Most other bike shops around New Zealand do one or the other."

Such is their commitment to the farming sector that a specialist service vehicle regularly travels Otago's rural roads, to fix the four-wheelers that are popular on farms.

Wayne believes that an owner never stops trying to improve a business, and by working in tandem with Polson Higgs, he can make Honda Otago even better.

Good induction programme vital

The common cry from employers today is that finding good staff is difficult.

Therefore, it would make sense that when new employees are signed up that their first impression when joining the organisation is a positive, memorable experience that sets the scene for a long, productive working relationship.

So what should employers include in a good induction programme?

It needs to be well planned and executed. Decide what information is important for the employee to receive on the first day. A formal programme with dates and times for meetings and information sessions is helpful.

A friendly welcoming letter before the employee starts outlining what time to arrive, where to park, who to ask for and what the employee can expect on the first day helps set the scene for working at the organisation.

A good impression is made when the workspace is set up with computer, email and telephone all operational, and current staff aware of the new arrival.

Meetings should be spaced over a period of time to give the employee time to digest the information that they will be receiving from a variety of sources.

Other elements of the induction programme should include:

- Discussion of the firm's vision and values.
- A full health and safety briefing.
- An outline of initial training and the guidance the employee can expect in the first six months.
- Setting of initial performance goals.
- Explanation of and access to the firm's policies and procedures.
- Information on all employee entitlements.
- Meeting the manager and the "buddy" or "go to" person.
- A tour and site map to help prevent "lost" moments.

Remember that induction is a process, not an event. It takes time for employees to integrate into their new working environment. A good induction process will ensure new employees adapt quickly to the organisation, feel they belong and that they have become productive contributors.

The impact of tax changes

For many company clients, 1 April 2008 represented the first tax rate reduction that we have seen for a significant period of time. For a March balance date client, the company tax rate reduced from 33% to 30% on 1 April 2008. The government's rationale for reducing the corporate tax rate was to both increase our competitiveness with Australia and to encourage companies to reinvest profits into their businesses.

While on face value the reduction in the company tax rate looks attractive, it will represent a tax saving only for the period of time for which profits can be retained in the company. Profits distributed to shareholders will be taxed at the shareholders' marginal tax rates and with the current top marginal rate for individuals at 39% and the rate for trusts at 33%, there will effectively be no tax saving on the distribution of funds.

In addition, distributions from companies which do not have imputation credits attached at 33%, will need to have resident withholding tax deducted so shareholders will receive the same after tax amount in their hand.

With the reduction in corporate tax rate comes a reduction in the amount of imputation credits that companies can attach to their dividends (from 33% down to 30%). However, the government has allowed a two year window, until 31 March 2010, for companies to clear their imputation credit account, which was accumulated at the 33% tax rate, and pass those credits out at the old imputation ratio.

For companies which have trusts as their shareholders (with a maximum 33% tax rate), there certainly will be an incentive to do this before 31 March 2010.

Where the company has individuals on the top marginal tax rate as shareholders, they are left with a more difficult decision. Do they pass a dividend out which will mean the shareholders will incur an additional 6 cents in the dollar tax cost or continue to retain these profits meaning unless there is a change in the personal tax rates, when a dividend is ultimately distributed, after 31 March 2010, a 9 cents



in the dollar tax cost could result?

In addition to the reduction in the corporate tax rate, there has also been an amendment to provisional tax calculations. For company taxpayers using the uplift method to calculate their provisional tax, we will no longer be increasing last year's tax by 5% but, to reflect the reduced company rate, we will multiply last year's Residual Income Tax by .95. Companies will immediately get the benefit of the reduced tax rate in reduced provisional tax payments during the year.

While the reduction in the corporate tax rate presents some opportunities, there are also a number of issues which will need to be carefully managed. Please talk to your Polson Higgs advisor about these issues.

In the lead up to the May Budget and the 2008 election, income tax has been put very much on the agenda. Labour appears to be responding to public opinion and wanting to talk about personal tax cuts, although they still do not appear committed to this, while National continues to suggest that New Zealanders have been overtaxed for many years. With tax firmly on the 2008 agenda and likely to define the distinction between the parties, we would expect to see a number of tax changes introduced this year. We will keep you posted on how these may impact upon your situation.

It's shaping up to be an interesting year tax wise with a number of proposals on the table and significant issues such as personal tax rates under review.

By Polson Higgs Partner Michael Turner, michael.turner@ph.co.nz

DIRECTORY OF SERVICES

The services offered by our divisions include:

Business Services

- > Annual and periodic financial statements
- > Taxation compliance
- > Advice re business sale and purchase
- > Business and strategic planning
- > Business and company valuations
- > Financial forecasts
- > Software installation and support
- > Business structuring advice

Audit/Assurance

- > External and internal audit
- > Review engagements
- > Corporate governance reviews
- > Internal controls/procedures reviews
- > Risk management
- > Forensic assignments

Taxation

- > Tax compliance and planning reviews
- > FBT/GST/ACC warrants of fitness
- > IRD tax audits and binding rulings
- > Tax advice on mergers and acquisitions
- > International tax advice
- > Training

Information Technology

- > Software development
- > IT assurance/IT warrant of fitness
- > Strategic IT advisory service
- > PC and network support
- > Package selection services
- > Project management

Financial Planning

- > Investment management advice and solutions
- Personal, business and corporate insurance
- > Employee benefit programmes
- > Estate/asset planning

Business Consulting Group

Human Resources

- > Executive recruitment
- > Strategic remuneration advice
- > Performance management
- > Psychometric assessment
- > Organisation reviews

Marketing

- > Strategic marketing planning
- > Marketing budget development
- > Assisting with advertising and promotion
- > Marketing for business profitability and growth

Business Intelligence

- > Feasibility studies
- > Market research for small to medium businesses
- > Policy analysis and evaluation
- > Survey research
- > Public opinion polling/organisational profiling

Training

- > Business Management skills
- > Taxation and Technical topics
- > Accounting for non-accountants
- > Financial management skills

CONTACT DETAILS

Christchurch office

Partners: David Cope, Business Services; Frank Burgess, Taxation; Geoff Bolderston, Business Services; Phillip Roth, Business Services, Consulting; Michael Rondel, Audit and Assurance, Consulting; Noel Walton, Business Services, Frazer Weir, Business Services.

Consultant: John Rundle, Business Services.

Associates: Lynn Fleming, Business Services; Brian Clarke, Taxation.

Dunedin office

Partners: Stephen Higgs, Business Services, Graham Crombie, Audit and Assurance, Consulting; Tim Dunn, Business Services; Phil Broughton, Business Services, Training; Steve Dunbar, Business Services, Insolvency; Michael Turner, Taxation; Henry van Dyk, Business Services.

Consultants: Les Stewart, Business Services; Richard Joseph, Director - Business Consulting Group.

Associates: Simon Cameron, Business Services; Carole Greer, Audit & Assurance