

# Business Matters

## Watch This Space

Cyberspace to be precise for coinciding with this second issue of *Business Matters* we're pleased to announce that HWI now has a presence on the World Wide Web. It has taken us some time develop our site – not because we are technological laggards (far from it in fact) but because we wanted to create a place that contained more than just worthwhile information.

You'll see by visiting us at [www.hwi.co.nz](http://www.hwi.co.nz) that we've developed a place that is dedicated to helping build businesses and create wealth. We've also provided linkages to our sister organisations — Technology Tailors and Plouton Planners — that offer specialist services to support our areas of expertise.

Please make sure you visit the site and tell us what you think of it — hopefully for better but even for worse if you think there are areas where we could be doing 'things' better.

Once on the site you'll notice a special feature we've called Partners Portal. This is where we encourage clients to profile their businesses with a special offer to other HWI'ers. These profiles and offers will be changed regularly.

If you are interested in placing a link to your current opportunities, let us know and we'll be delighted to put you on this site. It's our way of bringing our commitment to 'helping with your business' come alive.

Wealth Creation

## Are You A Dedicated Follower Of Fashion?

How many of you recall zealously investing in New Zealand shares during the late 1980's, just when our sharemarket was close to its peak, only to be disappointed as the value of your savings tumbled along with the sharemarket's crash in 1987?

*"Stocks Plunge 508 Amid Panicky Selling; Percentage Decline Greater than 1929. Bond Prices Surge"*  
WSJ 20 October 1987.

How many of you then began to shift your funds into residential housing at the beginning of the 1990's – attracted by the strong rise in house prices – only to experience several years of nil or, in some cases, negative returns if you were forced to sell?

*"Is the Housing Boom Cooling?"*  
NAB July.

How many of you watched others reap double-digit returns

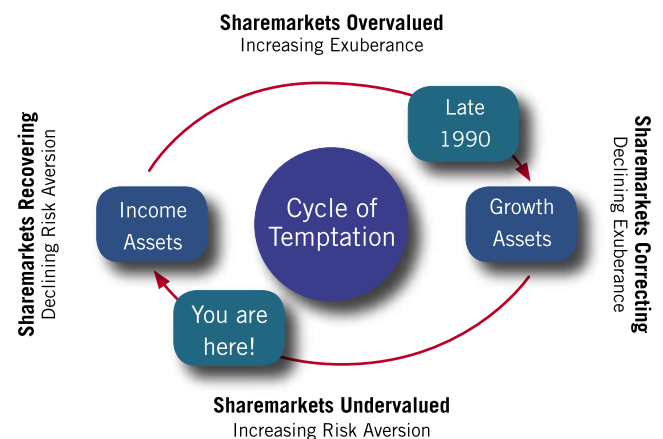
from international shares at the end of the 1990's and flocked to this investment, only to be caught again as the technology bubble burst?

*"It's A Bubble Alright!"* – Salon.com  
May 2000.

If you find yourself nodding to any of the above, you are not alone. It's a fact that investors chase returns. But, the reality is that investing based on "fashion", is a highly unreliable way of providing for your future.

Investment fashions come and go and if you are lucky enough to forecast the next one, you can make extraordinary gains. The problem is that most of us can't. Rather than continually leaping in at the top and selling after prices have fallen, a better strategy would be to hold an exposure to all asset classes at all times.

The diagram above depicts how



sharemarkets and investor sentiment continually move in cycles. At the same time, it demonstrates how investors are tempted to move from holding predominantly growth assets to predominantly income assets during the cycle (represented by the red arrows) at precisely the wrong times.

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It also uses recent experience to show that investors overloaded their portfolio with growth assets in the late 1990's, when investor exuberance about shares was increasing and share prices were reaching their peak. Thanks to falling sharemarket values, investors risk aversion then increased and they swung the other way, finding themselves overweight in income assets just as sharemarkets are picking up.

Plouton Planners is always available to help put investment fads into perspective. The pan advisory service seeks to stop the emotion blurring people's judgment and helps you to maximize the probability of you achieving your objectives.

## More Ways We've Helped Others & May Be Able To Help You

HWI's mandate is: Helping With Your Business Is Our Business. Here are some recent projects that we've been involved in that demonstrate this commitment.

Recently Christine Henderson assisted with the sale of a business to an Australian purchaser and the subsequent migration of the company to the Australian Companies Office register. She also assisted with the sale and purchase of a NZ group of companies.

Jonathan Hislop has recently concluded a succession planning exercise enabling a company's general manager to take a stake in the company. As part of this process a retirement plan and buyout procedure were devised, agreed upon and documented. This was a successful outcome to this particular succession plan.

Murray Judge is currently carrying out a particularly delicate matrimonial assignment, analysing financial statements and providing a report to assist in the division of the property.

# What's IT All About

## —Information Technology That Is?

Over the next series of issues of *Business Matters* we'll be asking, and answering, the question we've found is on many peoples' lips.

What is the place of Information Technology in my business?

The 'forum' for determining where IT should fit in your business should take place in conjunction with your strategic planning. For example, in a commercial environment where providing professional services is a key business objective, having the means to cost efficiently, and effectively delivering these becomes an issue for consideration as part of the planning cycle.

As with any strategic decision, planning is critical. Making sure you have the right IT for supporting other strategic initiatives is no different.

Then some ask the 'degree' to which IT reliance should take

hold of an organisation. In other words, do people put too much, or too little, faith in it?

Despite, at times, seeming 'magical' IT is simply a resource. It can be used effectively by business to produce goods and/or services for sale, and thereby earning of profits, by the business.

It should be seen as a resource provided within and by the company to allow for the efficient and effective use of internal and external resources, to assist the company in achieving its goals and following it's mission.

Once in place the job of reviewing the resources should be on going. There is no hard and fast rule about timings for review. Generally if any

new initiative is being planned the question about the type and level of IT support that might be needed should be addressed. This is generally done in conjunction with strategic planning and in consultation with internal or external IT experts.

Constantly being 'cutting edge' in technology is both costly and impractical. It is, however, important to understand what is happening and available.

Similarly, in a competitive marketplace, it is wise to know what will either keep your company's advantage or help you catch up on your competition if that manoeuvre is required.

For more information on IT simply email [rlongville@hwi.co.nz](mailto:rlongville@hwi.co.nz)

Business Advice

## Other Hands to help with your business

In the last issue of *Business Matters* we highlighted some organisations, and websites, that are worthwhile considering if you are looking for funding or support.

Following on from our article on Information Technology, there are a number of entities created to give companies a helping hand.

Technology New

Zealand was created to help businesses develop and adopt new technology. This site contains information on Technology for Business Growth (TBG), Technology for Industry Fellowships (TIF), Grants for Private Sector Research & Development, and TechLink.

As would be expected, New Zealand-owned businesses are given preference for Technology NZ funding. Foreign-owned companies are eligible but have

to articulate how grants received will benefit the country's economy.

It is a user friendly site that contains details of how to apply for funding as well as some case studies to show how funding has made a difference to both business and New Zealand.

The web-dress is [www.frst.govt.nz/business/funding.cfm](http://www.frst.govt.nz/business/funding.cfm) *Worth a visit!*

# Reality Bytes !!

## The On-going Challenges Assaulting Everest Aluminium

The excitement of the launch, and delight in seeing the first business start to flow, seemed now to be no more than a haze.

For Arthur and the team at Everest Aluminium, the biting realities of what it takes to initiate, and sustain, a business were starting to take hold.

Hindsight is always 20/20 but even at this early stage of the evolution of the business he now sees that he should have handled some matters with more attention.

"One of the issues that we looked at initially was the amount of capital that we would require to both launch and sustain the operation. It was difficult to envisage from the outset the sort of demands there would be on capital and cashflow.

"We've certainly managed...but it was just that, rather than having our finances in full control. That is one area where I think we were a bit loose."

An area where Arthur also feels Everest could have been quite a bit more forthright was in having a formalised process for shareholder agreement and HR management.

"We also should have spent more time deciding who would take on respective roles within Everest to make sure all the jobs were getting done—not to mention that everyone was contributing. Everest is a 50/50 joint venture but there were times when I felt my partner was

not making the effort and that created some friction."

Part of the problem was created by not having a formalised business plan. In addition while the company constitution documents covers many of the legal responsibilities of operating a company, having a separate shareholder's agreement covering remuneration, shareholder duties and joint responsibilities means that any potential areas of contention are managed.

This agreement also helps to shape some of the actions required for Human Resource management. Arthur believes in the initial stages there was a "big gap" in the way staff were managed.

"We should have had an induction programme for all new employees, detailed job descriptions and formal training activities. These would have helped both in training and in motivation."

As well as promoting the benefits of having a formalised business plan, the Biz's Foundations for Growth promotes the benefits of Leadership, Promoting and Sharing Goals and Values, Involving and Supporting Others and Fostering Communication. These are all part of the business planning process—again, something Arthur sees the benefit of now and fortunately is starting to action.

To be continued.....



# Facing Trials with Smiles

The mere thought of an Audit, for some, conjures up an experience akin to having the Grim Reaper doing your dentistry work. Not only is this NOT the case with HWI but the results may just be the thing to help put a smile on your balance sheet.

Audits are carried out through the HWI Partnership. The audit division consists of Murray Judge (Partner), Dave Mackay (Senior Auditor) and co-opted staff as required. Both Murray and Dave have extensive experience in audit and audit related services.

We have a diverse client base with a number of commercial clients in a variety of industries and a good mix of medium to small sized entities. In addition, HWI undertakes a number of school audits on behalf of the Office of the Controller and Auditor General.

The timing of these school audits, in conjunction with 31 March balance dates for commercial clients, keeps the audit division well occupied for

the first half of the year.

HWI auditors are committed to assisting clients achieve their goals by adding value to the client's organisation through the audit process.

As part of the audit process, we recommend changes to clients systems of internal control in an effort to reduce the possibility of fraud and or inefficiencies occurring.

Our auditors have a sense of humour, and can relate to your staff, and by so doing, HWI audits are not an ordeal, but rather a beneficial experience.

The audit division at HWI is also able to undertake the following engagements for clients: **Limited Review** Not a full scope audit, but a

cost-effective review of your company's financial statements and internal controls. A written report will be provided to you at the conclusion of our review.

### **Stocktake Attendance**

As the name suggests, we will assist you with your stocktake procedures. We will generally review your stocktake instructions in advance of the count and suggest improvements where we consider these would be beneficial. We will then attend your stocktake and observe your staff's adherence to the controls communicated to them and also spot check some of the items counted to ensure that the count has been conducted correctly. **Internal Control Reviews** We will visit your premises and

through discussion with key staff members and review of documentation and processes, document your systems of internal control. Suggestions will be offered in areas where we consider your controls could be strengthened.

### **Fraud Investigations**

Fraud is a reality in today's business environment. If fraud is taking place within your company an audit is one way to smoke out the wrong doings. We can also help advise on how to handle fraud situations once the infringement has been uncovered.

For more information on our audit services please contact [mjudge@hwi.co.nz](mailto:mjudge@hwi.co.nz) or [dmackay@hwi.co.nz](mailto:dmackay@hwi.co.nz)

# Out & About

Christine Henderson & Raewyn Longville recently attended the APS conference which took place on Australia's Gold Coast. APS are HWI's principal accountancy software suppliers with many of the innovations on offer to our clients coming from their commitment to product research and development. The conference highlighted the release of software for the upcoming year and also covered topics such as key drivers for practice performance, what it really means to be smart i.e. emotional intelligence, and unlocking the secrets of practice development.

Kevin Wilson & Christine Henderson attended the 20th annual ICANZ tax conference held in Christchurch. The conference highlighted the changes to New Zealand's tax system over the past 20 years, current legislative changes, and looking forward in our changing tax environment.

Feature

## How You're Doing?

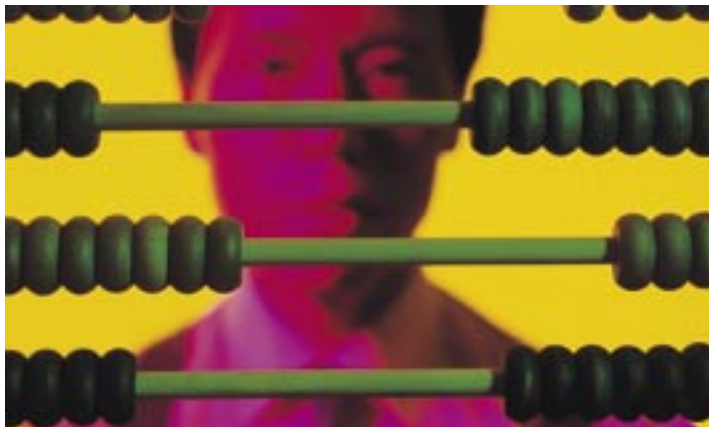
You know you work hard and believe your business is operating as efficiently as it possibly could. But, have you ever wondered how you compare with others in the same profession—and even in the same area.

Wonder no more for thanks to our new benchmarking tool we're able to help you find out exactly how you are doing. Obviously there is a general interest factor in discovering how your operation sits in terms of what's happening

nationwide.

More importantly, benchmarking is useful as a business diagnostic device. If for some reason you're performing at less than expected there are undoubtedly ways in which you, or us together, can improve matters.

*If you're interested in finding out more contact Murray Tuck at [mtuck@hwi.co.nz](mailto:mtuck@hwi.co.nz) or Tony Keogh at [tkeogh@hwi.co.nz](mailto:tkeogh@hwi.co.nz).*



Watch this space

### Coming up in our next issue:

- Everest Aluminium – where to next?
- Introducing the Technology Tailors website
- More true tales of how we help businesses

All information in Business Matters is of a general nature and does not constitute advice. Readers are cautioned not to act or rely on it without first seeking professional advice.

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## People News

**Dave Mackay** HWI are delighted to welcome Dave Mackay to the team. As our specialist auditor he works predominantly with Murray Judge taking responsibility for streamlining the audit process and making audits a 'beneficial and rewarding' experience for clients.



Dave graduated from the University of Auckland in 1995 and commenced working in the accounting services department of a large insurance company. After three years he moved from this commercial role to working for a medium sized Chartered Accounting practice as an auditor. Dave remained in this

role for 5 years until moving to HWI in May 2003.

Dave also assists with compilation assignments for the business services division of HWI Ltd. Outside of work, Dave enjoys windsurfing, tramping, fishing and is particularly interested in mountain biking.

### **Marion Paterson**

Marion Paterson has recently joined HWI as a 4 day a week Senior Accountant. Marion comes with experience in Business Services and for the last 12 years was employed in a CA firm in Manukau City. As well as the benefits of moving to HWI, the daily motorway grind has been replaced by a pleasant walk to work. Marion is married with two adult daughters. Her interests include travel, tramping, and gardening.

**Megan Henderson** & her partner Dean are proud parents of Joel born in October.

## Westward Ho!

In his role as chairman of the Asia Pacific chapter of Jeffreys Henry International (JHI) HWI director Kevin Wilson played an active role at a prestigious international conference in Nagoya, Japan focusing on business development and practice management.

HWI is an affiliate of this global association of business advisers. International delegates discussed recent professional developments and exchanged best practices in the areas of human resources, company management, marketing and IT.

As Kevin says, "We pride ourselves on delivering effective business solutions. We achieve this by remaining at the forefront of our industry. One way of ensuring that we continue to anticipate clients' needs is active participation through our global JHI affiliation. Our attendance in Nagoya underlines our commitment to bringing our clients the best solutions - no matter where in the world they come from!"

Accompanying Kevin and helping to fly both the New Zealand and HWI 'flag' was partner Murray Judge.