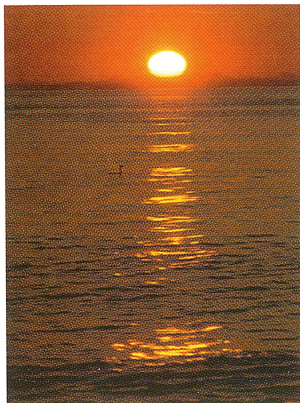


Business Matters

FEATURE

OCTOBER 2006

HAVE A NICE FBT DAY



Prior to the FBT changes, an FBT day was a calendar day and therefore began at midnight. The downside to this was that such a timeframe may have resulted in two days' FBT liability being incurred when a vehicle is taken home overnight.

Now, employers have the ability to elect the start time for an FBT day, thus, it is easier for just one day's FBT to be incurred in such instances.

Employers from 1 April 2006 will be able to choose the commencement time of the 24 hour period which will apply to all vehicles owned or leased by the employer. To make an election the employer must notify the Commissioner when providing the next return, which relates to the motor vehicles FBT.

The commencement time of the 24 hour period for the day must be a whole number of hours after midnight. The election once the Commissioner has been notified applies from the start of the quarter, income or tax year to which the return relates and applies to all vehicles. When an election is made it is applicable for a minimum period of two income years.

An employer can request for the commencement time to be amended or treated as revoked if circumstances

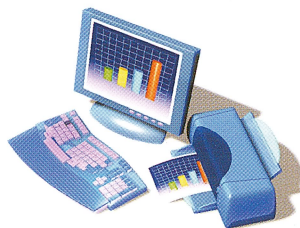
have changed significantly and the starting time is no longer relevant to the employer's business.

This provision will be particularly beneficial to those employers who infrequently allow employees to take vehicles home overnight.

Example

An employee finished work at 6pm and travelled home, returning the vehicle at 8am the next day. Previously, as a "day" was based on a calendar day two days FBT would have been incurred. If the employer elected a start time of 6pm for the commencement of the 24 hour period only one days' FBT would be incurred on this vehicle.

Four Key Tools for Managers



For most New Zealand SMEs, the mid financial year point is fast approaching. This is an excellent time to review your goals at the beginning of the year, compare them to how you have gone and make new plans accordingly. Whatever you do, don't let the year continue on without having all of your financial management tools in place. There are four things every business should have:

1. An operating budget;
2. A capital expenditure budget;
3. A cash flow budget; and
4. Your KPIs for the year.

Operating budget

You need to know what the year is going to look like. How much profit you will make, when you will be making your profit and how your income and expenses are likely to move about. Without this you will be

under prepared for the year and need to manage by gut instinct or reaction to events as they occur. Get your budgets in place and then you can track performance against expectation.

Capital expenditure budget

This is about understanding and identifying how much you are likely to need for capital purchases throughout the year. This might be replacements or new plant or equipment required because of business growth or change. Most businesses have capital expenditure requirements but many don't plan for them. When they occur they can disrupt your cash flow. Plan ahead. They are an essential part of your cash flow budget.

Cash flow budget

You absolutely need this. As the saying goes 'Cash is King'. Your cash flow budget needs to flow on from your operating and capital expenditure budgets. You need to forecast the timing of money flowing in and out of the business. Make sure you include things like tax payments, loan repayments and dividends. And, plan around the cycles that can occur with tax (GST, Income) payments. If you are going to be tight for cash at some time in the year, talk to your bank early.

KPI's (Key Performance Indicators)

These are a great way to manage the business. What are the key indicators that show your business is on track? It might be the number of enquiries, machine hours for a production business, on time delivery, customer complaints, or staff turnover. For most businesses you can measure performance around six KPI's. They are the key influencers of your business's operating performance and should be capable of being easily tracked and managed. If you haven't used them before give it a try.

For assistance to get your business running at its strategic best, talk to HWI today to arrange a time for them to work with you on your business's budget and KPI planning

helping with your business is our business



Quote of the Month



Not managing your time and making excuses are two bad habits. Don't put them both together by claiming you "don't have the time".

Bo Bennett

The Personal Properties Securities Act

Are you aware of the Personal Property Securities Act "PPSA" came into force on 1 May 2002

The Act reforms the law relating to security interests in personal property. It affects lending, leasing and other types of credit-providing activities. The PPSA contains rules for determining the priority between security interests in the same personal property. Personal property is given a wide definition by the PPSA. With few exceptions it covers any property someone can own **other than land**. It can also change the order of priority of secured creditors and the rights of suppliers of stock and equipment in the event of a liquidation or receivership.

Romalpa Clauses no longer sufficient

In the past clients have commonly issued terms of trade, which provide for reservation of title in goods they have sold until such time as the goods have been paid for. In the event of liquidation or non-payment, the clients have simply uplifted their goods or stock. It is clear that if they have not registered their security interest on the Personal Property Securities Register, those goods in the event of receivership or liquidation may not come back to them, but will be available for a debenture holder or someone else with a security interest in those goods. Even worse, if they

happen to uplift "their" goods prior to receivership or liquidation those goods may still be available to any debenture holder.

Consigned Goods may be lost

In the past consigned goods were never the property of the consignee. In law and in practice, the consignor could uplift the goods whenever he/she wished. Such is no longer the case. If you have not registered your interest in the goods on the Personal Property Security register then the goods may be taken by the registered debenture holder. In the event of receivership or liquidation of the consignee the consignor may lose his goods. This can happen even though the goods are uplifted prior to the receivership or liquidation.

Private Debenture holders - Beware

Private debenture holders have to be particularly aware that the old rules no longer apply. In the past the first debenture to be executed ranked first unless specific accommodation had been given to a subsequent debenture holder. The date of execution of a debenture is now irrelevant when working out priorities. What matters now is the date of registration on the Personal Property Securities Register. The first debenture to be registered ranks first.

Leased Goods – Deemed Security Interests

Clients who lease goods should know that where a lease is for a term greater than one year the lessor must register his interest in the goods. Unless he does so, his goods may come under the charge of any debenture. Again, in the event of receivership or liquidation the lessor stands to lose his goods.

This can happen even though the leased goods were uplifted prior to receivership or liquidation.

It is very important that you get the proper advice if you are lending money or goods to third parties and especially if advancing funds to your own company.

Article written by: Victoria Toon, a Senior Associate at McDonald Vague. Further enquiries may be directed to the Partners or Senior Associates at 0-9 303 0506.

PEOPLE NEWS

From Matarangi to Whitianga was how the HWI team spent a great team-building weekend. Each year we take some timeout to get to know each other better and this year we learnt you could hold two bottles of Oyster Bay wine, eat a scallop sausage sandwich and listen to Des our auditor explain the importance of in-materiality whilst attending the Whitianga Scallop Festival, thus endith the lesson on Multi- Tasking



Congratulations to:

Deidre Williams our Practice Manager and her new husband Blake who recently got married in Fiji.

Also

Cal Rogers and his new bride Vilma who got married in Lithuania

Welcome Back

Anna Nguyen has returned from maternity leave

"Nice Drop Policy".

It works like this. We recognise that taking time and trouble to recommend our services to an associate is a wonderful gesture that is always appreciated.

Rather than just words, if your referral results in business for us we'll be thanking you with a 'nice drop' of quality wine as a sign of gratitude.

Thanks HWI Directors