

## FEATURING

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# LockFinance



## Word from the General Manager:

The last newsletter for the year, and Xmas is just a couple of weeks away. I am sure that everyone is looking forward to this festive time with family and friends where we can perhaps take a small or BIG break to recharge for 2016.

**When I look back at 2015 I like to focus on the positive things that have occurred for our company.**

- We have settled into our new premises (7 floors down)
- We implemented our new Debtor Finance / Factoring software
- The new clients that we have brought on board and assisting their growth
- The new staff that have joined us in 2015
- The larger network of people whom choose to recommend Lock Finance as their preferred lender in our working capital space

Hopefully your interactions with Lock Finance have also been positive.

2015 has also been a great year for most of our clients. On the back of our facilities they have been able to achieve additional growth and higher levels of profitability. This however does mean that some of these clients then have the opportunity to return back to main stream bank funding for their working capital should they wish to.

The better we are at providing our clients with the working capital they require, the more likely we are to lose some of them to the banks. So overall we are a great solution that may only be temporary.

I look forward to meeting up with as many of you as I can next year. I anticipate that we will be even busier than 2015, due to commentary that I have been reading from a number of sources. So please keep your eyes open for opportunities for Lock Finance to provide our funding solutions.

I cannot let this opportunity pass to comment on the All Blacks and their success at the 2015 Rugby World Cup. They showed what a team of champions and a champion team they are. I am sure we will all miss watching those that have retired but look forward to the makeup of the 2016 team with the new faces that will be selected to fill those huge shoes. It does go to show that a bunch of New Zealanders with a common goal can mix it with the world's best and come out on top.

Surely there is a business implication / application here.

Finally I wanted to thank all of you that contributed to Lock Finance's success over the year. We wish you and your families all the best for Christmas, and that you have a safe but enjoyable New Year. We look forward to being able to assist you and your clients in 2016.

**Craig Brown**  
General Manager Lending



# Pay 15 January provisional tax in instalments with Flexitax

Tax Management NZ (TMNZ) enables businesses to manage cashflow by paying income tax in monthly instalments, without incurring late payment penalties.

Flexitax, which is approved by Inland Revenue (IRD), helps you ease the burden of large provisional and terminal tax payments by letting you pay what you can, when you can.

Late payment penalties are eliminated and IRD interest costs reduced by up to 30 percent using this method.

Income tax for the current tax year or one just completed can be paid off using Flexitax.

TMNZ interest is calculated on the remaining tax owed each month, and you have until 75 days after your terminal tax date to make your final payment.



## Where might Flexitax be useful?

### Scenario A: upcoming provisional tax payment

A business has an upcoming provisional tax payment of \$10,000 for the 2016 tax year due on 15 January.

To activate Flexitax, the business would pay to TMNZ part of the amount due on 15 January.

Assume it chooses to pay \$2000 first up. This payment, and additional Flexitax payments, would be made into a bank account administered by an independent trustee.

TMNZ would issue the business an updated balance statement showing \$8000 is left to pay off. Updated balance statements are sent to the business each month under a Flexitax arrangement until it pays off what it owes IRD.

The business will incur an interest cost – but this will be much less than the 9.21 percent IRD charges.

The independent trustee will transfer each payment from the tax pool to the business' IRD account. Transfers will show on the business' IRD statement once it has been processed by IRD as if the tax had been paid on 15 January 2016, eliminating late payment penalties and interest.

### Scenario B: underpaid income tax

A business owner has been notified by their accountant that they have underpaid provisional tax for the 2015 tax year by \$15,000.

They decide to pay \$5000 at their first payment and then the remaining \$10,000 whenever they can after that, but before mid-June 2016.

**Call the TMNZ Customer Support Team on 0800 829 888 for more information about Flexitax.**



# Size Doesn't Matter! How to access top talent & beat the multinationals

**They say size doesn't matter – but what about a small business competing for the very best talent against big brand multinationals?**

**Before we get into the 'how', ponder the following questions:**

- How much 'extra' do your very best people add to your organisation? What if you had more like them?
- What impact would attracting and hiring more of these people have on your organisation's financial performance, culture, brand, and reputation?
- If your three lowest performers were replaced by three great people, how would this affect your business's performance?

Whatever the size of your business, the quality of the people you employ will determine your company's level of success. However, there's no doubt that large corporate companies have easier access to the highest calibre candidates. As a smaller business with a lower budget and fewer resources, what can you do to compete for the same high performing candidates and make sure those top people choose to work for your business – even when large multinationals are after them as well?

Think about it from the perspective of the future 'best employee' who is looking at new opportunities. What are they looking for as they evaluate their options? Of course, they want to know about the nature of the business and the job, the culture of the organisation and the story behind the company; where it stands in its market. But, more than that, top talent looks for a current or future success story. They want to be part of a journey towards a goal that unifies the company in a single objective. In other words it's about communicating your company's long term goal and vision for the future. Presenting the story of your company and where it's heading provides a reason to join you on the journey. Share your vision, your innovations and how they can contribute to this future success.

In our experience, the best candidates also look for companies that stand out among their peers. This extends beyond having a distinct competitive advantage. It also encompasses the way business is conducted: the values that are lived by, and the standards that are adhered to. Get stories from your customers or clients about your projects, products or services or let your employees tell the stories – bring your business alive with real clarity in the message and get connected with your future best employees.

There is no escaping the fact that some investment involved here, but getting the best talent needs real investment – so ponder the questions above again to see if it is worth it. Over time, establishing a strong employment brand proactively attracts top talent, so remind yourself that having attraction through your employment brand hands down beats traditional recruitment, which can be costly and clumsy – wouldn't it be great if top talent approached you - and right from the start have people who want to join a workplace that people enjoy working in - which just compounds the attraction of your employment brand.

Naturally getting great talent needs more than just a great employment brand, but it is the start of the process. Of equal importance is how you communicate with great talent through the interview and selection process and how you bring the people on board. Also don't forget that once you have invested all this time and resource of getting the top talent you need to work on retaining them - give people reasons to stay committed. Today's top talent want interesting work, they want to feel valued and respected and know that they've made a difference. When did you last tell one of your people that you are really glad they are part of your team?

Top talent does not want to work for impersonal big corporations – which is why leading multinationals employ so many resources to make them appear otherwise. Top talent is looking to work with and for people who they can identify with, which is why it's critical to develop an employment brand that shows the very best of your business that promotes yourselves in a manner that is exciting and interesting to employees. Being part of a passionate and sharp team looks far more attractive to top talent than having a stocked fridge in the office. None of this depends on your size – so it's true, size doesn't matter.

Dave Rees is a Partner at Convergence Partners Ltd, an Executive Recruitment and Selection company and specialist in recruiting hard to find top talent.

**Dave Rees**

**Partner | Convergence Partners Limited**

DDI: 09 300 6875 | Mob: 021 511 466 | Main: 09 300 6870

Email: [dave@convergencepartners.co.nz](mailto:dave@convergencepartners.co.nz)

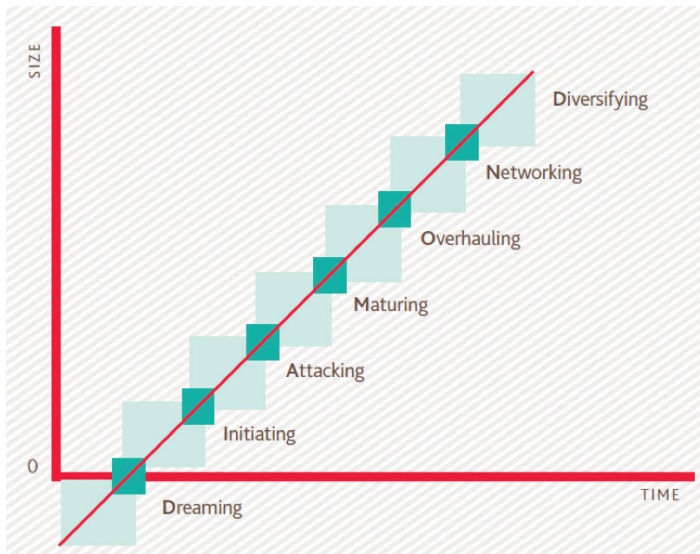
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# The Seven Stages of Business Growth

Each stage in the growth of your business is clearly recognisable and relatively easy to “diagnose”. Having read through the following paragraphs, you should have a fairly good idea as to which stage your business is at. Once you have an idea of where you’re at, take a look overleaf at some of the challenges you’re likely to encounter as you grow, and start thinking about how you will address these.

Your BDO adviser can help you at every step of the process, so don’t be afraid to ask for help, guidance and advice!

Dreaming up the idea of a new business, developing plans and defining start-up requirements.



Initiating the business plan and inspiring others in order to establish a presence in the market. This is the implementation of the dream.

Attacking the first problems of growth and coping with adolescence. During this particular stage the business unquestionably has the systems to survive and it can provide a good living for its owners. However, it is not robust enough to sustain a major change in its market or operating environment and its long-term prospects are limited by its cashflow and customer base. As a business passes through this stage, the pressures of growth accelerate. Wise and well advised owners begin to anticipate the next stage. For others, the accumulating pressures can lead to anxiety rather than action and result in stagnation and even failure.

Maturing the business with an emphasis on establishing controls, systems and methodologies. Management is professionalised in order to deal with the size and complexity of the customer base or the organisational structure of the business.

Overhauling the organisation with a clear focus on objectives. The business is more competitive and has a strong customer and marketing orientation, but there is a sense of ‘missed opportunities’ and a consequent drive to optimise performance. Teams and individuals are often held accountable for results and are offered appropriate incentives.

Networking the units of the business. Strategic processes have become as important as tactical ones. Maintaining and developing a corporate image is important and, by now, earnings are often being managed for a diverse stakeholder group.

Diversifying into new products and markets. Driving growth through strategic alliances and commercial inter-dependencies which enable rapid responses to market opportunities in a fast-changing world. The culture of organisations in this stage is highly focused. The means by which they operate - and the markets in which they choose to do so - are highly flexible. In this stage, the rate of growth, year on year, will often decelerate as a function of the size of the business.



# Dominant Business Perspectives: Stage by Stage

DOMINANT BUSINESS PERSPECTIVE	DREAMING	INITIATING	ATTACKING	MATURING	OVERHAULING	NETWORKING	DIVERSIFYING
Management Focus	<ul style="list-style-type: none"> <li>• Business planning</li> <li>• Seed funding</li> <li>• Market research</li> </ul>	<ul style="list-style-type: none"> <li>• Cashflow</li> <li>• Winning new business</li> <li>• Establishing a presence</li> </ul>	<ul style="list-style-type: none"> <li>• Cashflow</li> <li>• Supply/demand</li> <li>• Establishing stability</li> </ul>	<ul style="list-style-type: none"> <li>• Planning and control</li> <li>• Assimilating new people</li> <li>• Establishing systems</li> </ul>	<ul style="list-style-type: none"> <li>• Improving performance</li> <li>• Business analysis</li> <li>• Establishing corporate objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Improving corporate image</li> <li>• Developing new structures</li> <li>• Establishing strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Improving brand value</li> <li>• Increasing flexibility</li> <li>• Establishing alliances</li> </ul>
Investor Focus	<ul style="list-style-type: none"> <li>• Business plan</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of plan</li> </ul>	<ul style="list-style-type: none"> <li>• Sufficient returns</li> </ul>	<ul style="list-style-type: none"> <li>• Developing finance strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Improving return</li> </ul>	<ul style="list-style-type: none"> <li>• Retaining stability</li> </ul>	<ul style="list-style-type: none"> <li>• Brand equity</li> </ul>
Employee Focus		<ul style="list-style-type: none"> <li>• Excitement vs. job security</li> </ul>	<ul style="list-style-type: none"> <li>• Challenged resource vs. frustrations</li> </ul>	<ul style="list-style-type: none"> <li>• Professional focus vs. concern about freedom</li> </ul>	<ul style="list-style-type: none"> <li>• Reward for achievement vs. fear of change</li> </ul>	<ul style="list-style-type: none"> <li>• Ownership vs. career credits</li> </ul>	<ul style="list-style-type: none"> <li>• Acquired prestige vs. lost identity</li> </ul>
Finance Source	<ul style="list-style-type: none"> <li>• Own equity</li> <li>• Corporate clearing</li> </ul>	<ul style="list-style-type: none"> <li>• Own equity</li> <li>• Corporate clearing</li> <li>• Efficient cash collection</li> </ul>	<ul style="list-style-type: none"> <li>• Short term debt</li> <li>• Working capital facility</li> </ul>	<ul style="list-style-type: none"> <li>• Structured finance</li> <li>• Specialist schemes</li> </ul>	<ul style="list-style-type: none"> <li>• Structured finance</li> <li>• Venture capital/private equity</li> </ul>	<ul style="list-style-type: none"> <li>• Finance markets</li> <li>• Venture capital/private equity</li> </ul>	<ul style="list-style-type: none"> <li>• Finance markets</li> <li>• Venture capital/private equity</li> </ul>
Marketing and Sales Focus	<ul style="list-style-type: none"> <li>• Developing contacts</li> <li>• Establishing concept</li> </ul>	<ul style="list-style-type: none"> <li>• Stimulating demand</li> <li>• Simple promotion</li> <li>• Developing distribution channels</li> </ul>	<ul style="list-style-type: none"> <li>• Improving customer value</li> <li>• Improving customer quality-Increasing customer base</li> </ul>	<ul style="list-style-type: none"> <li>• Customer/market research</li> </ul>	<ul style="list-style-type: none"> <li>• Cost per sale</li> <li>• Customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic planning</li> <li>• Corporate positioning</li> </ul>	<ul style="list-style-type: none"> <li>• Relationship management</li> <li>• Channel management</li> </ul>
IT Focus	<ul style="list-style-type: none"> <li>• Planning basic business requirements / technical architecture</li> </ul>	<ul style="list-style-type: none"> <li>• Basic office system/packaged solutions to meet business requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Reliable systems</li> <li>• Improve internal and external communications</li> </ul>	<ul style="list-style-type: none"> <li>• Customised IT solution</li> </ul>	<ul style="list-style-type: none"> <li>• Re-engineer systems to optimise business needs</li> </ul>	<ul style="list-style-type: none"> <li>• Optimise IT connectivity</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible, knowledgebased, customercentric</li> </ul>
Supply Side Focus	<ul style="list-style-type: none"> <li>• Establishing contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Ad hoc, non negotiated</li> </ul>	<ul style="list-style-type: none"> <li>• Applying customer criteria to purchasing decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Multiple supplier management</li> <li>• Terms negotiation</li> </ul>	<ul style="list-style-type: none"> <li>• Rationalising supply</li> <li>• Power bargaining</li> </ul>	<ul style="list-style-type: none"> <li>• Some joint ventures</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic alliances</li> <li>• Vertical chain strategies</li> </ul>
Constitutional Elements	<ul style="list-style-type: none"> <li>• Family &amp; friends</li> <li>• Influenced by contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Limited equity ownership</li> <li>• Influenced by lenders</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening ownership and influence</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing corporate formal structures &amp; governance</li> </ul>	<ul style="list-style-type: none"> <li>• Employee involvement</li> </ul>	<ul style="list-style-type: none"> <li>• Diverse stakeholder interest</li> </ul>	<ul style="list-style-type: none"> <li>• Complex constitution &amp; governance</li> </ul>
Community Orientation	<ul style="list-style-type: none"> <li>• Personal</li> </ul>	<ul style="list-style-type: none"> <li>• Local employment</li> </ul>	<ul style="list-style-type: none"> <li>• Random charitable</li> <li>• Local business associations</li> </ul>	<ul style="list-style-type: none"> <li>• Political (local)</li> </ul>	<ul style="list-style-type: none"> <li>• Coordinated charitable</li> </ul>	<ul style="list-style-type: none"> <li>• Political (local and central)</li> <li>• Community programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Political (local and central)</li> </ul>

## Transitional Issues

- Overcoming gaps in knowledge
- Establishing business focus
- Improving business plan
- Securing finance
- Company formation
- Establishing premises
- Establishing customers
- Practical issues: basic systems for income/expenditure; meeting customer/client promises; dealing with admin
- Lack of focus
- Getting enough cash to pay bills
- Dealing with the unforeseen
- Taxation issues
- Identifying need for and recruiting staff
- Ignoring IT
- Quality of product/service
- Low customer awareness
- Competitor reaction
- Need to assess situation – plan with benefit of real business knowledge
- Not robust enough to survive changes
- No contingency planning
- Identify skill deficiencies
- Constrained by initial IT selection
- Admin overload
- Inadequate communication
- Overdependency on founding team
- Management surpassing leadership
- Losing entrepreneurial spirit
- In a rut: directionless
- Losing touch with market
- Executives not incentivised or motivated correctly
- Lack of organisational flexibility
- Innovation dampened
- Inappropriate performance indicators
- People skills
- Business could run away with its own success
- Overpromise – underdeliver
- Burn out (people and concept)
- Lack of corporate governance legislation
- People skills
- Nobody “owns” the business
- Business too rigid to be responsive
- Highly bureaucratic
- Missed opportunities in marketing
- High turnover of high quality staff
- Image becomes “staid”
- Internal territories
- Efficient financing
- Economic / export issues
- Cumbersome hierarchy

## Steve Cammish

### Partner

steve.cammish@bdo.co.nz

Direct: +64 9 272 0872

Mobile: +64 21 288 9001

Level 2, BDO House  
116 Harris Road, East Tamaki  
P O Box 51 563, Pakuranga  
Auckland 2140, New Zealand  
Tel: +64 9 274 9340  
Fax: +64 9 274 0863  
www.bdo.co.nz



Steve first joined BDO working in assurance services in 1992 before leaving the firm to pursue overseas experience in 1995.

In London he gained broad based skills in both the private and public sectors in the areas of insolvency, forensic accounting and investor compensation, dealing with most of the major fund managers in the City.

Since returning to BDO in 1998, Steve has developed a diverse client base, providing advisory, tax and accounting services.

## Clients and Experience

Steve also specialises in the fields of business valuations and due diligence, business recovery and restructuring.

In particular, Steve can provide the following services:

- All matters of accounting and tax compliance
- Valuation advice on acquisitions, disposals and restructuring of assets
- Business restructuring including profit enhancement strategies, forecasting, cashflow management and debt restructuring advice
- Identifying and implementing effective business structures
- Assistance with governance issues
- Investigation and due diligence services
- Lead and support advisory on business acquisitions and disposals
- Receiverships and liquidations

## Professional Background

- Chartered Accountant
- Member of the Chartered Accountants Australia and New Zealand
- Member of BDO Australasian Corporate Finance Division
- Member of CAANZ INSOL NZ Special Interest Group

## CONTACT

To find out more about BDO, please contact your nearest office on **0800 379 528**

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# Financial commentary

**Prospects for the economy are much better than predicted by the Reserve Bank and the bank economists who are focused too much on the negative impact of the fall in dairy farm incomes.**

The Reserve Bank and most of the bank economists are fixated on the fall in dairy farm incomes. This is blinding them to the large stimulus in the pipeline from falling interest rates, stronger population growth and the fall in the exchange rate.

This is particularly the case for consumer spending, the largest component of economic activity. But it has implications for much more than firms supplying goods and services to consumers.

The consensus view of the nine economic forecasters surveyed by NZIER is that consumer spending growth will slow from 3.1% in the 2014/15 March year to 2.8% in 2015/16 and 2.4% in 2016/17.

The economic forecasters are assuming the fall in dairy farm incomes will have a sizeable negative impact on consumer spending. This is despite there being no clear link between the two other than when the financial crisis temporarily drove both (see the chart).

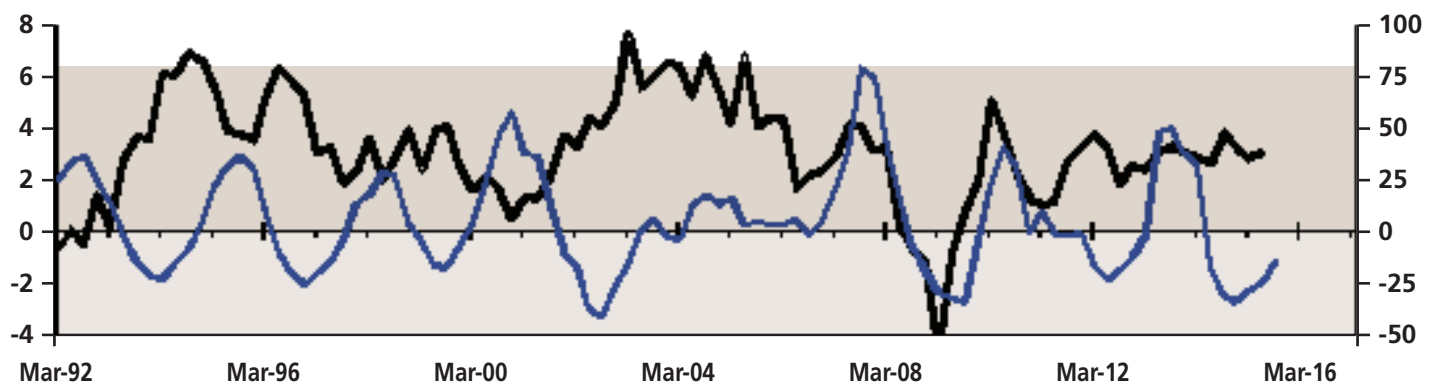
I see parallels between current prospects and the experience in 2003 when a large fall in dairy product prices was followed by a period of strong growth in consumer spending. In 2003 a sizeable fall in interest rates coincided with high net migration, with these positives overpowering the fall in dairy farm incomes.

The two periods of strong growth in consumer spending in the 1990's were also largely the result of falling interest rates coinciding with high net migration.

Interest rates recently reached the lowest level in a lifetime and net migration is adding almost 70,000 to the population per annum. This is a recipe for strong growth in consumer spending even allowing for the fall in dairy farm incomes.

If consumer spending and economic growth turn out to be significantly stronger than predicted by the economic forecasters in 2016 it will probably trigger market-led increases in interest rates and eventually at least moderate OCR hikes.

Written by Rodney Dickens. Visit [www.sra.co.nz](http://www.sra.co.nz) to learn about SRA Ltd's services.



The chart shows annual growth in consumer spending (black line, left scale) and the annual per cent change in the ANZ NZD Dairy Product Price Index (blue line, right scale).

S.H. Lock (NZ) Limited  
Level 7, Tower Centre  
45 Queen Street, Auckland 1010  
PO Box 106 054  
Auckland 1143  
Phone: 09 375 8500  
Fax: 09 375 8529

**0800 ASK LOCK**