



SPRING 2007

QUARTERLY

LEECH & PARTNERS LTD
CHARTERED
ACCOUNTANTS AND
ADVISORS TO BUSINESS

WELCOME

As I write this welcome note, the sun is pouring into my office and I noticed earlier at home today that some daffodil bulbs were popping through the ground. The promise of spring and new beginnings. Don't you just love it?

Talking about new beginnings, our eldest daughter, Aimie, got married on Saturday and it was a wonderful occasion splashed with smiles...and tears.

It was great to catch up with family and friends from the UK, Australia and throughout New Zealand.

It reminded me that no matter how busy or stressful our business lives get, the real antidote is to be with family and friends. I have resolved to make time for that on a more regular basis.

And that's my message to you all. Try to get the balance right between work and play.

We at Leech and Partners will try to assist you with that goal by shouldering some of your accountancy, taxation and business tasks. Just ask us.

Have a great spring and we look forward to sharing some more ideas with you in our summer newsletter.

Gary Leech

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LIPOSUCTION & LASER SERVICES IN DEMAND

No one better understands the quest for a younger-looking appearance and a trimmer body than Christchurch's Dr Ken Macdonald, Specialist Dermatologist and Director of KM Surgical.

At 202 Bealey Avenue, he and newly appointed specialist dermatologist Dr Paul Maurice, experienced nursing staff and management team can help make it happen - for both men and women.

The cosmetic and aesthetic dermatology practice welcomes a broad range of clients. Many are fair-skinned with problems relating to damage from excessive sun exposure. Others want cosmetic surgical services such as liposuction, eyelid surgery, minimally invasive facelifts, laser and Intense Pulsed Light treatments, or other aesthetic interventions such as replacement of collagen and use of botulinum toxin for facial shaping.

"The business developed generically from general dermatology," says Ken, whose two companies, KM Surgical Ltd and 202 Dermatology Ltd, a surgical skin cancer practice, rent the Bealey Ave premises from the KM Business Trust.

"In recent years technology has provided the potential to deliver more effective and less invasive cosmetic services, and we have developed the most comprehensive laser and light device practice in the South Island," says Ken.

"Trends are towards more effective cosmetic services with less down-time for clients.

"In the case of liposuction, this is now a very safe and effective procedure for removing unwanted fat and improving body contours in an outpatient setting."

Ken focuses on surgical services using local anaesthetic with minimal sedation and recovery time.

"The highlight to date for KM Surgical has been the development of an efficient local anaesthetic liposuction service and the development of delicate surgical procedures such as upper eyelid surgery."

Another highlight is the large and expanding laser service including an Ultrapulse CO2 laser, long pulsed Nd:YAG lasers, diode laser, Q switched lasers and Intense Pulsed Light sources.

The greatest challenges in the cosmetic business revolve around competition, and delivering good information to clients, who need to be clear about the services, likely outcomes and cost.

"There is also a high emotional component and the requirement for a quality service. Confidence in practitioners is very important."



While KM Surgical faces challenges in branding, and in deciding how best to advertise and display its services, its business goals are clear.

"We want to continue to improve quality and to explore more complex cosmetic surgical interventions in the local anaesthetic and day surgery context.

"We also aim to build a new specialist surgical centre with additional consulting rooms, as well as a range of surgical theatres. This would solve our current space constraint, and help with expansion and succession plans.

"There is the potential to offer services to a wider catchment including an overseas market, but for this to eventuate, new premises and more practitioners are required."

Ken says Chris Smith of Leech and Partners has been very helpful in tightening up the accounting structure "and in delivering valued added accounting services with considerable initiative, which has been greatly appreciated."



Welcome Yelena



From dealing first-hand with Marlborough vineyards and wineries, Yelena Turner has moved to Canterbury to join the Christchurch office.

Originally from Hamilton, Yelena has spent the past five years in Blenheim, accumulating plenty of experience in viticulture along with business planning, financial projections, computerised accounting systems, taxation planning and general accountancy.

Yelena spent two years studying full-time towards her Bachelor of Commerce before joining a chartered accounting firm in Blenheim three years ago. She continued with part time studies and is now within a year of completing her degree. After that her goal is to complete her Chartered Accountancy qualifications.

The past three years have highlighted where her priorities lie.

"I have a great interest in building and maintaining strong client relationships."

She cites her leisure interests as snowboarding, surfing, volleyball, netball, going to the gym, playing the guitar and singing.

KIWISAVER - WHO SHOULD JOIN?

We are now just into the third month of KiwiSaver and the Government says that 129,000 people have signed up so far.

Let's recap on who should definitely join, probably join and probably not join:

Definitely join

- **Approaching Retirement** - Anyone just under 65 should definitely join as they can access their funds and tax breaks as soon as they reach 65 or five years after they join the scheme, whichever is the later. For a married couple this could mean a return of \$22,840 for a cost of \$10,420, before growth or any compulsory employer contributions are added.

- **Children** - Children will qualify for the \$1,000 kickstart payment, which will work for them whilst they are minors. When they commence employment they can take a holiday from contributions, but they should have an eye on the new home subsidy.

- **Home buyers** - Anyone proposing to buy their first house in the next 3 to 5 years should take out a KiwiSaver to save their deposit. They will receive the new home subsidy (up to \$5,000 each) plus the growth in value of their fund, and can then use mortgage diversion to direct half of their KiwiSaver contributions towards their mortgage.

Probably join

- **Serious savers** - The long-term tax breaks and compulsory contributions make this an excellent savings vehicle for serious savers. Over 25 years, for someone earning \$50,000, the maximum tax breaks and employer contributions are worth something like \$123,000 without taking account of personal contributions or growth in value.

Probably not join

- **Those with large debts** - One of the most effective forms of saving are to repay debt, particularly debt with high interest rates. If you have credit card or HP debts, for instance, you may be best advised to repay these first. This is the power of compound interest in reverse.

- **Low income earners** - Mary Holm suggests that those who cannot afford the contributions should borrow as the tax breaks are too good to miss. It is probably not as simple as that as every cent counts for those on very low incomes, with little or no prospect of recovering the KiwiSaver contributions until age 65.



If you want some advice on whether you should join KiwiSaver, or if you are interested in a self-managed KiwiSaver, call your usual contact at Leech & Partners Ltd.

MYOB COULD BE THE ANSWER

Have you considered making the move from a paper or spreadsheet-based cashbook?

MYOB may have the ideal solution. MYOB offer a range of products to suit all small businesses.

MYOB Cashbook

Cashbook is a fully featured, user-friendly Windows programme that is great for businesses which need a simple cash based accounting solution. Cashbook provides powerful communication to both your bank and your accountant, so managing the business data is fast and easy.

You can add as many separate cashbooks as you like, complete GST and cash flow reporting, import transactions directly from your Internet banking, and enjoy integrated linking with your accountant.

MYOB Accounting

When you're running your own business, you're passionate about what you do. While keeping a tight control of your business finances is essential, you'd rather be spending your time on your business - not your paperwork.

MYOB Accounting is suitable for all businesses who manage stock or record debtors and creditors. It gives advanced stock control, prepares GST returns quickly and

easily, and has a wide range of reporting functions.

MYOB Payroll

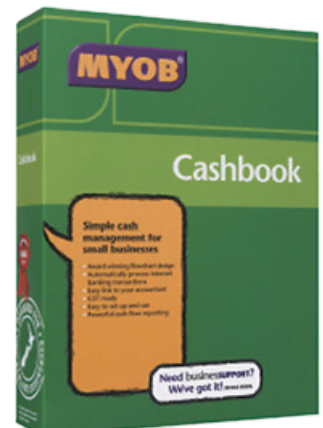
If your business has staff, you are probably spending more time looking after the payroll than you'd like, or need to. The solution is MYOB Payroll, the complete payroll software solution for growing New Zealand businesses.

You don't need to be an accountant to use it. Payroll is a comprehensive solution that is simple to use and in plain English format. It is a fully featured, user-friendly Windows payroll programme that is suitable for any size business.

Which MYOB product is right for you?

Leech and Partners offer advice and support in installation and training of all MYOB products.

If you are considering software, please ring Kim on 03 363 6491 or Debbie, Kelly or Julie at our Ashburton office.





NZ WINE & GRAPE INDUSTRY IN GOOD SHAPE

The doubling of export volumes, combined with static consumption and worldwide oversupply, have tested the New Zealand wine industry over the past few years.

The challenge for New Zealand producers has been to maintain both their wines' reputation for quality and the high prices they were accustomed to receiving.

Producers here have had to watch as New Zealand's largest market, the United Kingdom, has been bombarded with competition from other new world wine producers, allowing UK importers to reduce prices for our wines.

All the above was predicted in the MAF 2003 Situation and Outlook for New Zealand's Agriculture and Forestry (SONZAF).

Yet in spite of the international competition and the quantity of wine in the international marketplace, New Zealand wine exports exceeded \$500 million at June 2006 year end. This was an increase of 18% in value and 12% in volume on the previous year.

Marketing, branding and promotional strategies were all crucial to this success.

The 2006 vintage was the largest in New Zealand's grape harvesting history, providing the opportunity for significant export growth this year.

To be eligible for export, a New Zealand grape wine must meet the requirements of the NZ Wine Act 2003. These include that it be free from obvious fault and that it must have come from an audited winery with a fully-traceable record-keeping system. The processes that allow an exporter to meet these requirements are administered by the NZ Food Safety Authority, and carried out under contract by the Wine Export Certification Service.

The Wine Act 2003 (the Act) sets New Zealand's legal framework for the making and export of wine.

One of the objectives of the Act is to safeguard the reputation of New Zealand wine in overseas markets.

The 'clean green' image of New Zealand is one embraced by NZ grape growers and winemakers, who want to protect the environmental integrity of their wine production.

To this end a pioneering set of industry standards has been developed, known as Sustainable Winegrowing NZ (SWNZ), which provides the framework for companies to continually work towards improving all aspects of their performance in terms of environmental, social and economic sustainability in both the vineyard and the winery.

SWNZ was established by volunteer grape growers in August 1995 as an industry initiative directed through New Zealand Winegrowers and was commercially introduced in 1997. Since then it has been adopted by growers from all the grape growing regions.

It endeavours to:

- Provide a 'best practice' model of environmental practices in the vineyard and winery.
- Guarantee better quality assurance from the vineyard to the bottle.
- Address consumer concerns about the environment and wine grape production.

Canterbury is New Zealand's fourth largest wine region, behind Hawke's Bay, Marlborough and Gisborne.

The last 10 years have seen Canterbury's vineyard producing area increase from 190 hectares in 1997 to 925 hectares in 2006. The two major wine areas are on the plains around Christchurch, and the more recently developed area of Waipara.

Chardonnay and Pinot Noir are the most widely planted grape varieties, making up nearly 60% of the region's vineyards. Riesling is the third most popular variety with Sauvignon Blanc in fourth place.

For further information on the New Zealand wine and grape industry, contact Yelena on 03 363 6480 or email yelena@leech.co.nz

DIARY THESE DATES

SEPTEMBER

C1 Tower

Previously referred to as Gloucester Towers, this new high rise development opportunity in Christchurch offers long-lease security with an international hotel chain, income flows, capital gains and tax deductions. Please register your interest now as the number of units available will be limited.

OCTOBER

Tax Effective Investments

The next stage of development of Barossa Vines is being finalised and the numbers are being crunched and reviewed. You may want to do some research on this in the interim by picking some reds from the Barossa Valley.

NOVEMBER

Meet the Fund Manager

We hope to have one or more fund managers give an economic assessment and discuss how this translates into the economic environment.

UPDATE

Previous funds offered by PIS through our seminars:

Commercial Office Fund:

A\$1.2203 - Up 22.03% on initial investment

Life Settlements Fund

\$1.0481 - Up 4.81% on initial investment

To register an interest in any of these activities, please contact Jacinda on 03 307 6688 or email Jacinda@leech.co.nz

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MATT'S GOT BOOK BINDING COVERED

World class quality and design excellence were rewarded when Cover to Cover NZ Ltd, the well-named Christchurch specialist boutique bindery, took out the Supreme Award at the 14th annual 2007 Pride in Print Awards.

The company won with "Andris Apse - Fiordland," a beautifully printed and bound photographic book.

With the title and author's name blindly debossed into the leather cover, the book is part of a three-volume limited edition publication. Each copy of the book is printed on uncoated paper, quarter bound, hand-sewn and individually numbered.

The judges said the entry was proof that "true craftsmanship" is alive and well in the New Zealand print industry.

"This entry had a huge degree of difficulty in all facets of production. Throughout the set of three books, all the printing is consistently of a high standard and the binding shows a perfection to match anything worldwide," said the judges.

Matthew Hinman, managing director, and Leech & Partners client, relocated 15 tonnes of bindery equipment from his base in Hampshire, England to set up Cover to Cover NZ Ltd in his home town, Christchurch. Now located at 50 Salisbury St, Cover to Cover not only makes and binds new and limited edition books, but also restores old books and creates innovative restaurant menus, legal books and customised presentation items.

Leech and Partners has been working closely with Cover to Cover providing not only accounting support but also advice regarding business planning and development.



Interest Bearing Deposits

The accrual rules as prescribed by the Income Tax Act 2004 require interest income to be spread over the period of the investment. Essentially the implication of this is that all parties which are subject to the accruals rules and have interest bearing deposits that mature after balance date, must accrue interest income on a daily basis into the year in which it was earned.

This can create a mismatch with resident withholding tax, which cannot be accrued and therefore claimed until it is actually paid, obviously in the following year in relation to interest income that has been accrued.

This rule only implicates those subject to the accruals rules, in broad terms these being:

- Trusts

- Companies
- Individuals exceeding certain thresholds, mainly investment income being over \$100,000 (or interest paid of \$100,000) or total value of investments held during the year, exceeding \$1m (or total debts during the year exceeding \$1m).
- Estates where the deceased individual exceeded the above threshold.

Those not falling into one of the above categories are deemed to be cash basis holders and so return interest income when it is actually received and deduct any withholding tax accordingly.

If you want to avoid this mismatch arrange your investments such that interest will be credited to your deposit on 31 March each year.