

Welcome to the Summer edition of OnBalance. 2011 has been and gone and with 2012 now beckoning, like many, we wonder where the year went. It seems like only last week we were starting out with plans for the New Year. How did you go with your 2011 checklist?

The holiday period is a great time to kick back and reflect not only on the year that has been but also the year ahead. If you come up with a great idea, make a note to expand on it after the holidays. Often our "brain waves" occur when we are not under pressure.

It is important to be able to measure your progress. If you don't have a plan it is difficult to know if you're ahead or behind. Make this a goal for 2012. Set out a plan for the year - it doesn't have to be a book, often the best plans are only one page! Make sure you break it down into small steps - say 90 days. "It's easier to eat an elephant if you take small bites", so they say!

Our year at PKF Carr & Stanton has been a particularly busy one!

We continue our focus towards our proactive accountant goals and objectives with our most recent change to upfront pricing on as much of our work as possible.

You can also expect to hear more from us next year! Don't be surprised if you hear Michael or Campbell's dulcet tones, or one of our managers, on the other end of the phone. They are just making contact and checking on how you are and how your business is progressing. You may even get a coffee!

Communication however, is a two way street. If you have a quick question or want to run something past us before committing, please do not hesitate to give us a call. There is no charge for a five minute phone call or a quick email. We much prefer this approach than "the ambulance at the bottom of cliff" situation later on! If we think more work should be done, we will tell you and then put a proposal together which will include a fee quote. Talk to us early as our team have a huge knowledge and technical base to draw from.

With the Rugby World Cup safely home, the elections done and dusted and some much needed positives on the horizon for the people of Christchurch, 2012 for New Zealand is the year we settle down to business! Many parts of the world are in social or economic turmoil so despite our recent challenges there is still a huge amount to be thankful for. We live in a great country and at PKF Carr & Stanton we are looking forward to 2012.

On behalf of Mike, Campbell, Peter, Aaron and the entire PKF Carr & Stanton team I wish you all a very Merry Christmas. Relax and enjoy the holiday season with family and friends and we look forward to working with you in 2012.

Kind regards
Brendan Jackson

Christmas



Our office closes at 1.00pm,
Friday, 23 December 2011.

We reopen at 8.30am,
Monday, 16 January 2012.

*The Directors and Staff
of PKF Carr & Stanton
wish you all a very
happy and safe
holiday season.*



Meeting Rooms

Do you ever need somewhere to meet a client close to town or perhaps require a boardroom for a larger meeting?

We now offer this facility as a free client service. Our meeting rooms are well equipped with laptops and whiteboards and we are also looking to provide internet access, if you wish to use your own for email etc.

If you would like to use this service please feel free to contact us to make a booking.

PKF Carr & Stanton – Upfront Pricing

In the last few weeks you will have received our Upfront Pricing details and Terms of Engagement letters.

We know there are a few pages to read but it's important that you understand the reasons for the change, the benefits and the value to you.

Upfront pricing in summary:

- is a fairer approach
- gives you fee certainty

- clarifies what's expected from you and from us
- drives efficiency through standardising the processes

Our updated Terms of Engagement letter, although a lot of pages, was combined with our upfront pricing introduction so as not to bombard you with multiple mailings.

This letter provides your authority for us to act for you. The update of

this letter was necessary to confirm your agreement to our upfront pricing policy. It is a legal requirement that we hold a signed copy of this document, which we usually re-issue every 3 years or so.

Therefore, if you haven't already done so, we would greatly appreciate you returning a signed copy of your Terms of Engagement letter to us.

Earthquake Strengthening Expenditure

The subject of earthquake strengthening is especially topical at the present time, with councils looking at increasing earthquake strengthening standards for buildings after the devastating Christchurch earthquakes.

Many building owners are facing substantial expenditure in order to bring their buildings up to the required earthquake safety standards and it is important to consider the tax treatment of such expenditure.

The most pressing question is whether the expenditure will be classified as repairs and maintenance, and therefore be a deductible expense for tax purposes, or it will be classified as a capital expense. In light of the removal of the ability to claim a deduction for depreciation on buildings from the beginning of the 2012 financial year, if the earthquake strengthening work is seen as capital in nature, there will never be an allowable tax deduction for this expenditure.

In assessing which category your earthquake strengthening expenditure falls into, there are several tests which need to be considered, including:

- Is the expenditure creating a new asset?
- Is the expenditure going to increase the useful life of the asset, or increase its output or efficiency?
- Is the expenditure related to the profit-earning or structure of the business?
- Is the expenditure recurring?
- Is the expenditure creating an enduring benefit to the taxpayer?

In the two court cases "to date" regarding earthquake strengthening expenditure, the Inland Revenue's assessment to treat such expenditure as capital in nature has been upheld by the courts, therefore not allowing a deduction for tax purposes. The main reasons behind these decisions include the following:

- The expenditure substantially improved the building and its value.
- Benefits from the expenditure were of a long-term nature.
- The expenditure was essential to maintain the existing revenue stream.
- The improvement of the structural integrity of a building was suggestive of a major project.

Every individual situation has different facts and therefore it is important to consider each case separately. Please contact us if you have earthquake strengthening plans for your property.

Wayne Norrie Seminar - People & Culture / Strategy & Governance

We were very fortunate to be able to bring Wayne Norrie to Hawkes Bay to present the latest in our PKF Carr & Stanton seminar series.

Wayne delivered a very passionate, entertaining and informative presentation. His real life experiences delivered some thought-provoking and valuable messages for the audience that could be applied immediately to their businesses.

The seminar was an overwhelming success with around 100 clients and Hawkes Bay business people attending. Their feedback started at "very good" with the majority rating being "excellent".

Thanks to all those who were able to make it along and we hope that you have put several of Wayne's suggestions in to practice and are now reaping the benefits.

Team News

Family additions

Congratulations to:

Sally and Craig McKnight on the early arrival of new baby son, Logan.

Angela and Daniel Filipo on the arrival of their first baby daughter, Lucy.

2011 Cape Challenge

We had five teams entered in this year's Cape Challenge - a great effort! The course, although arduous, covered some of the most stunning scenery Hawkes Bay has to offer. Despite varying levels of pre-race training, amazingly we all finished - injury free! We also had a big team of supporters who turned out to spur on their workmates and share the day.

It was nice to see clients and colleagues that stopped by our gazebo for a chat and some "re-hydration". Well done to all!

The one that didn't get away!

Director **Campbell Brenton-Rule** combines two of his sports, free diving and fishing and here's the result:



PKF

Accountants and
business advisers

Right size, right people, right answers