



# THE BALANCESHEET

March 2018

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## Important dates

All CooperAitken offices will be closed on **Friday 30 March**. Morrinsville and Matamata offices will re-open **Tuesday 3 April**, Thames re-opening **Wednesday 4 April**.

We will also be closed on **Wednesday 25 April** in honour of Anzac Day.



### MORRINSVILLE

42 Moorhouse Street, PO Box 23  
[p] 07 889 7153 [f] 07 889 7151

### MATAMATA

2a Arawa Street, PO Box 51  
[p] 07 888 8002 [f] 07 888 8556

### THAMES

309b Pollen Street, PO Box 559  
[p] 07 868 9945 [f] 07 868 9942

[e] mail@cooperaitken.co.nz

[www.cooperaitken.co.nz](http://www.cooperaitken.co.nz)

## The legal stuff

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## Buying a farm and sharing up - what are my options?

AMY COOMBES, DIRECTOR

**Deciding which dairy company to supply when buying a farm is an important decision when it comes to shares.**

Dairy company shares make up a substantial part of a farm purchase. For an average sized Fonterra farm to be fully shared up producing 100,000 kg/ms at \$6.00 per share equates to \$600,000.

There is the option to supply a dairy company where no share purchase is required. This is viewed by many as an attractive option. Without the need to invest in shares, a farmer significantly increase's available working capital, and with that they significantly increase their options.

Imagine buying the farm you have dreamed of sooner or expanding into a larger farm with the funds that would have otherwise been used to purchase shares.

To remain competitive and assist farmers with purchasing shares Fonterra has revised and introduced new share purchase options. The aim of these is

to remove the requirement to be fully shared up on day one.

### Fonterra Strike Price contract

Under the Strike Price contract farmers have up to nine years before they have completely paid for their shares. Farmers purchase 20 percent of the shares up front based on an estimate of the first three season's production.

The requirement to purchase the remainder of the shares is only when the farm gate milk price goes above the Strike Price, currently set at \$5.25 kg/ms for the 2018/2019 season.

For an average farm producing 100,000 kg/ms the initial share up of 20 percent would be 20,000 shares at an average of \$6.00, which totals \$120,000.

The requirement to purchase shares in the current season at the milk price

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## Welcome

Lots of lovely new faces have joined our team recently. Welcome to **Milly Keys**, who joins our Software team in Morrinsville, **Laura Li** and **Sue Collier** who join our accounting team in Morrinsville, **Melishia Engelbrecht** who joins our accounting team in Thames and **Imke Hoepfner** who is our new Workflow Assistant based in Morrinsville. Also, welcome back to **Judith Hunter**, who returns after some time away.



MILLY



LAURA



SUE



MELISHIA



JUDITH



IMKE



**Shaan Cowling** and partner Nathan, on the arrival of their baby girl, Peyton Rose Holten, born 10 November 2017, weighing 7lb 2oz.

**Chloe Hunter** and partner Cam, on the arrival of their baby boy, Rylan Heath Fitzpatrick, born 18 November, weighing 8lb 12oz. Rylan joins big sister, Ava.

**Tim Fitzpatrick** and wife Charlotte, on the arrival of their second daughter, Grace Anabelle Fitzpatrick. Grace was born 31 January at 8lb 12oz and joins big sister, Ashleigh.

## Congratulations...



Congratulations to our in-house lawyer, **Megan Potter**, (above) on her recent recognition at the 2017 NZ Law Awards in November last year. Megan was nominated for the Young In-House Lawyer of the Year category, and went on to become a finalist. A major achievement for Megan, and we are very proud of her.



**Jessica (nee Horrox)** married Carl Reisima in a beautiful outdoor ceremony on Saturday 18 November.



## Community

### FOOD DRIVE

Our team donated food items to Morrinsville Ezekiel Trust in December. All food donated was added to Christmas hampers and delivered to families in need.



### TOY RUN

Our team donated and delivered a car full of toys to The Hits toy bus early December. This was part of a collection around the Waikato and all toys were donated to Vincent De Pauls to gift to kids for Christmas.



### MORRINSVILLE CHRISTMAS PARADE

CooperAitken took part in the Morrinsville Christmas Parade on Saturday 9 December. Some of our cute CooperAitken kids decked out in 'Fairytale' theme (right).





# Tax relief for drought affected farmers



**In mid-January, Revenue Minister Stuart Nash, confirmed the decision to offer tax relief measures for drought affected farmers in the lower North Island and the West Coast of the South Island through the income equalisation scheme.**

Inland Revenue will allow farmers in drought areas to make late income equalisation deposits for the 2016-2017 income tax year. They will also be able to apply for early refunds. This allows farmers to smooth out fluctuations in their income from year to year.

Mr Nash says "We know the rural community is having a tough time. Many farmers will have more urgent issues on their minds than tax compliance. Inland Revenue has confirmed there will be greater flexibility and assistance for

those affected. I am pleased that Inland Revenue is able to respond in a more accommodating way.

I strongly encourage any farmers who are struggling to meet their tax obligations because of the adverse conditions to talk to their accountant and engage with Inland Revenue. We acknowledge the scale of the challenges faced by farmers in exceptionally dry conditions."

"If any farmer has concerns, please talk to the experts who can help," Mr Nash says.

## Paying employees for public holidays

**We have more public holidays approaching; get the low down on paying employees for these days.**

- Friday 30 March — Good Friday
- Monday 2 April — Easter Monday
- Wednesday 25 April — ANZAC Day

Employees get a paid day off on a public holiday if it's a day they would have normally worked on. If they work on that public holiday, they are entitled to time and a half for hours worked and get an alternative day off.

If you employ someone to work these days for you and these are not their normal days of work (e.g. they are covering another staff member who is taking the public holiday off) then you pay this person at least time and a half (1.5 times what you'd usually pay for that day's work).

## Buying a farm and sharing up - what are my options?

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of \$6.40 and the current Strike Price of \$5.25 is a difference of \$1.15. Of the \$1.15, 50 percent would be required to purchase shares, and would total \$57,500 (57.5 cents @ \$100,000kg/ms).

At the end of season one, the farmer would have paid \$177,500 for shares and at \$6.00 per share, own 29,583. At the current Strike Price this equates to just under one third of the total shares required to back milk production at an estimate of 100,000 kg/ms.

The current Strike Price contract lasts for a minimum term of six years. If farmers are not fully shared up at the end of the six years, they will need to buy at least one-third of their remaining shares in each of the subsequent three years. If they cease supplying Fonterra before the end of the full term they may be required to pay compensation.

### Share up over time contract

Another option is the Share up over

time contract. This offers two options the three year contract or the six year contract.

The three year contract requires the farmer to purchase the shares over three years with a minimum of one third per year, based on estimated production.

Under the six year contract shares are only required to be purchased in seasons four, five and six - effectively deferring the requirement to purchase shares. The number of shares required to be purchased is calculated as equal to one third of the average actual quantity of milk solids supplied in seasons one, two and three.

Similar to the Strike Price contract there are minimum contract requirements that apply.

As outlined the Fonterra share options are different and appear to offer some flexibility for sharing up in the Co-operative. In addition, the option still remains to supply a dairy company where no share up is required at all.

In reviewing which option is right for you, it is important to consider:

- ✓ Estimating milk production.
- ✓ Commitment to supply Fonterra.
- ✓ Budgeting for share purchases and dividends. For every paid share the Fonterra dividend is payable (even if you are not fully shared up).
- ✓ Taxation Payments – the purchasing of shares is a capital item even when it is spread over time. If funding shares out of cash flow, remember to budget for tax payments.
- ✓ Bank – understand how your bank capitalises the share transaction under the various share up options, as the banks differ in their treatment.

In deciding which option is right for you, there is no one size fits all approach and what works for you may be different than what works for the neighbour. Please contact your rural professional if you would like further information on deciding what option is right for you.

# Changes for Dairy goat farmers

**With the recent review of the Dairy Goat NSC values, it was announced that the Dairy Goat values were set to increase significantly for 2018.**

With the imminent increase, this would impact our goat farming clients quite substantially with the goat value changes resulting in increased income and consequently more tax.

Chartered Accountants Australia and New Zealand were approached to give feedback to the IRD via the Rural Advisory Committee, this is a consultation process with the IRD to understand the impact it may have.

CooperAitken have a number of goat farming clients, hence we were happy to be part of the initiative to provide feedback to IRD on the impact this would have in the hope they would review the 1 year uplift.

We are excited to announce that IRD have agreed to spread the tax impact on goat farming clients by signing off on a three year transition to the new NSC goat values. Great news for goat farmers nationwide.

## Picking the cream of employees

JOHN BRONSAN, HR & BUSINESS DEVELOPMENT ADVISOR

Each year around this time, employees are looking for new farm positions and farm employers are looking for staff. This is the natural result of staff looking to up their skills and position in the industry, and meet those next steps in their career path.

A great move for the employee, but as an employer looking to attract staff, how do you improve your chances of employing the good ones?

The cream of the crop so to speak.

**Here are some tips to assist with the employment process:**

- A clear advertisement. One that shows why you are first choice employer offering an excellent position worthy of top candidates.
- Good pre-employment processes. From the job offer to acceptance and signing the

employment agreement before any work is commenced. This includes your interview process, reference checking and drug testing.

- A clear orientation plan.
- A comprehensive health and safety policy.
- Clear expectations of staff. Plan regular follow ups such as weekly farm meetings over a coffee.
- Have the accommodation clean and tidy and make sure its certified drug free.
- Opportunities to develop. Encouraging staff to undertake Primary ITO courses and participate in DairyNZ discussion groups.

These are just some general tips and suggestions; you may have your own that have worked well in the past.

If you require any assistance, please feel free to call our HR specialist, John Brosnan, 07 889 7153.

## IN BRIEF...

### Company Annual Returns

In our quest to reduce paper, we aim to send company annual return correspondence electronically this year. If we have an email address on file for you, keep a look out for these coming via email. If we don't have an email address for you, you will continue to receive company annual return correspondence by post. If you don't wish to receive your annual return correspondence by email, please notify [meganp@cooperaitken.co.nz](mailto:meganp@cooperaitken.co.nz) and hard copies will continue to be posted to you.

### Farmers – are you making changes 1 June?

If you are making some changes come 1 June, please give us a call. For example if you are buying or selling land or livestock, or changing your farming business (such as going from contract milking to 50/50 sharemilking).

Discuss your intentions with us now and we can help in a smooth transition. We may be able to advise you on a number of things, such as the best structure, date of sale, implications of family associations, budget, negotiations with bank etc.

### March 31 balance date?

31 March is the 2018 balance date for many of you. Questionnaires will be posted around the end of March if this is you. You will need to do your stock take based on cost price and exclusive of GST. March balance date farmers will need to count livestock on the farm. Commercial clients will also need bad debts to be written off their debtors ledger in order to claim them as a deduction in the 2018 year.

## Light at the end of the tunnel

**As many of you will now be aware, we went through a major upgrade to our software system in 2017.**

The changeover was a huge undertaking and impacted all areas of the office, and whilst we planned and endeavoured to keep on track, the change was so significant we did encounter some speed bumps along the way, which has meant normal turnaround time for some annual accounts has been affected.

Our team have been outstanding during this time, totally supportive and committed to learning the new system and working extremely hard to increase the turnaround time and get your annual accounts out to you with the least impact on you and your business as possible.

The good news is 2018 brings a new year, better efficiencies and processes, and allows us to maximise the full benefits of

our new system – which we are now well adjusted to.

Our goal is always to provide the best service possible to our clients and we would like to thank you for patience and understanding through this process, and your continued support.

Please feel free to discuss your accounts or concerns with us at any stage 07 889 7153.

