

Meltzer Mason Heath

IN SOLV

UPDATE + NEWS + REVIEW

February 2010

In the business world, the rear-view mirror is always clearer than the windshield.
Warren Buffett

Employment and Unemployment—Statistics to Ponder

Arron Heath

The Household Labour Force Survey results for the September 2009 quarter were recently released by the Department of Labour. The survey records that New Zealand's unemployment rate rose to a 9 year high of 6.5% in the September 2009 quarter with the number of people unemployed standing at 150,000.

The youth unemployment rate increased to 16.8% over the quarter and the Maori only unemployment rate increased from 9.6% in September 2008 to 14.2% in September 2009.

The Department of Labour expects that the unemployment rate will rise to around 7% by mid 2010.

The Department of Statistics advises that the Labour Cost Index (salary and wages) for the December 2009 quarter showed the lowest wage growth in eight years (an increase of 1.8% in salary and wage rates (including overtime) in the year to the December 2009 quarter). The slow down in annual wage rate growth has occurred during a period in which demand for labour has declined.

The Quarterly Employment Survey from the Department of Statistics shows that for the year to the December 2009 quarter, employment as measured by the number of full-time equivalent employees, decreased 2.5% and filled jobs decreased by 1.7%. The manufacturing and construction industries were the main contributor to both these annual decreases.

Merchandise import values declined 3.2% in the December 2009 quarter, compared with the September 2009 quarter. This was the fifth consecutive quarterly fall. Merchandise export values fell 2.8% in the December quarter also. Imports have dropped 24.6% since peaking in the December 2008 quarter.

There was a rise of 13% in unemployment benefit numbers in December 2009 (up to 66,328 from 58,541 in November 2009), although the rise reflected a cyclical pattern seen in previous years. Figures just released by Statistics New Zealand show the unemployment rate increasing to 7.3% in the December 2009 quarter, the 0.8% rise from September is higher than expected.

Several well known retailers have either recently closed down or have called in the receivers and insolvency practitioners have experienced an upswing in work.

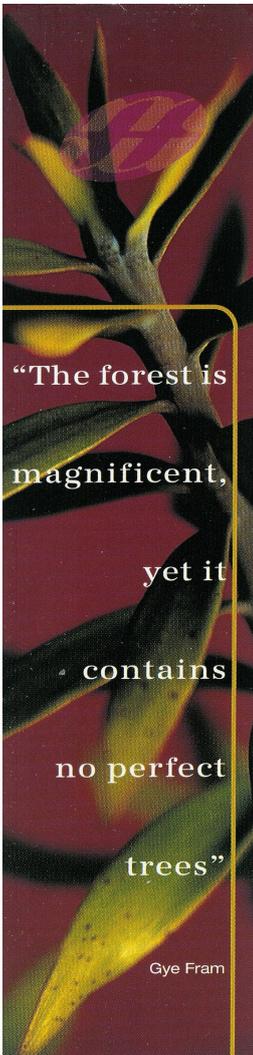
These results and statistics all indicate that the New Zealand economy still has a way to go before emerging from the effects of last year's recession, even if the numbers indicate that technically the recession is over.

What Can Businesses Do to Continue to Survive?

(In no particular order)

- **Understand and Manage Cash Flow**

"Cash is King" is the oft repeated refrain heard today and its true. Keeping cash flowing is critical to a business' continued survival and sufficient resource and time should be allocated to cash flow management.



"The forest is magnificent, yet it contains no perfect trees"

Gye Fram

For further information contact:

Meltzer Mason Heath
Level 16
7 City Road
PO Box 6302
Wellesley Street
AUCKLAND 1141

Ph: (09) 357 6150
Fax: (09) 357 6152

Email: info@mmh.co.nz

www.mmh.co.nz

- **Forecasting**

Cash flow and profit and loss forecasts should be modelled and actual v. budget variances analysed. Sensitivity analysis of the forecasts and modelling of “what if” scenarios should be undertaken. Businesses need to remember that a projected statement of financial position will provide the check that the model works. Underlying assumptions need to be reviewed and changed, if necessary.

- **Risk Management**

Potential areas of risk for a business should be identified and policies/procedures put in place for managing identified risks. “SWOT” (Strengths, Weaknesses, Opportunities, Threats) analysis can be a useful exercise.

- **Advice**

Use of independent advisers (such as a Chartered Accountant) is important to gain perspective in relation to problems a business may be experiencing. Keeping up to date with local and international economic news and market movements can be useful.

Meltzer Mason Heath’s experienced personnel are available for advice on insolvency issues whether directly with the managers of an affected business or via the company’s accountant adviser. The first hour’s advice is free of charge.

North Shore City Council (NSCC) Development Levy Refunds

Rachel Mason

On 12 May 2009, the NSCC released a statement regarding an agreement reached with property developers concerning development contribution payments. Essentially, the NSCC will be making some 4,000 refunds, totalling over \$10m to entities which have developed property on the North Shore. (You can read the full press release on the Council’s website, www.northshorecity.govt.nz)

Developers currently operating / companies currently in liquidation

The IRD will be looking to receive output GST on any refunds received by a developer, whether the developer is currently operating, has ceased trading, or is in liquidation.

Development companies already liquidated and struck from the Register

The IRD are seeking to have struck off companies reinstated to the Register, and be placed in liquidation again, in order that the refund can be processed by a liquidator. This is especially so in cases where the IRD has an unsatisfied claim against the company and would likely achieve a dividend from the refund.

Blue Chip Update

Arron Heath

Judgements were released by the Court towards the end of 2009 in both the “Bartle” and “Developers” cases. The representative investors who were applicants in those proceedings were unsuccessful in both cases. We understand that both judgements have been appealed.

The Liquidators are seeking funding in order to continue further work in the liquidations. It is likely that such funding will be provided by professional litigation funders or third parties.

Mark Bryers, Blue Chip’s co-founder, has pleaded guilty to several charges, including failing to attend creditors’ meetings. We understand that further charges concerning alleged Companies Act breaches are pending. Bryers has not yet been sentenced in relation to the guilty pleas.

Between the professional staff at Meltzer Mason Heath there is over 100 years insolvency experience. This means that any problems or uncertainties facing your clients are likely to have been seen by us before. Please call us, and as always we will offer you and/or your clients a free one hour consultation.

Jeff Meltzer, Karen Mason, Arron Heath, Mike Lamacraft, Lloyd Hayward, Rachel Mason & Trish McLennan.

