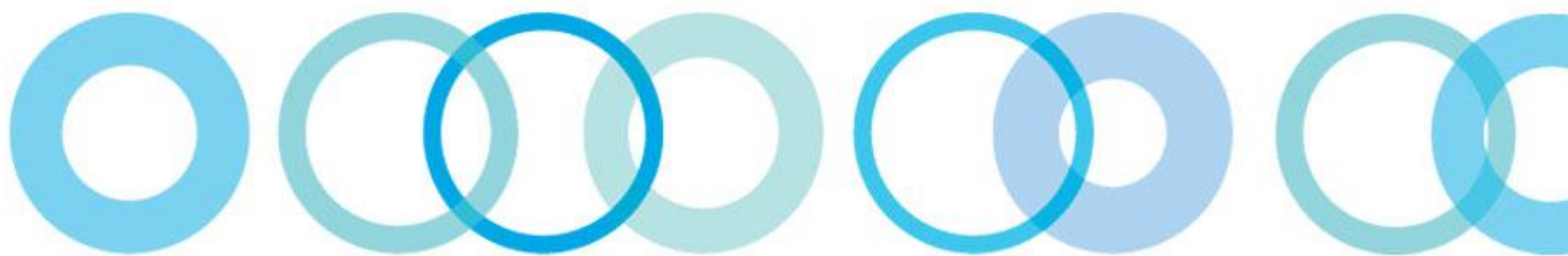


Hayes Knight Sustainability Report 2011



Introduction

This is the first annual Sustainability Report for Hayes Knight, it will detail Hayes Knight's sustainability performance for the period 1 February 2010 to 31 January 2011 and goals for the 2012 financial year.

The report will also present key facts and figures in relation to Hayes Knight's sustainability ideals and reflect the work done by the Hayes Knight Sustainability Council and Hayes Knight management on the Sustainability Policy.

Scope of the Report

The Sustainability Report provides our customers, shareholders and other stakeholders with information about our non-financial performance during the reporting period and demonstrates the ways in which we can try to make sustainability a key business practice.

Our Purpose:

Hayes Knight exists for the purpose of "improving lives through building wealth and protecting assets". In doing so it aims to contribute to the economic, environmental, cultural and social well-being of clients, employees, shareholders, suppliers and the wider community and environment.

Rationale:

The rationale for the Sustainability Policy is to enable Hayes Knight to operate in a more sustainable way. This will have a positive impact on the economic, environmental, social and cultural wellbeing of our clients, employees, shareholders, suppliers and the wider community and environment.

Policy Statement:

Hayes Knight is committed to the continuing development of sustainable business practices within our firm that will deliver environmental, cultural and social benefits as well as economic returns to the shareholders and other key stakeholders.

As a result, Hayes Knight will contribute to the sustainable development of our clients' organisations and meet their changing needs as well as assisting in the evolution of the accounting sector to play a leading role in the implementation, measurement and reporting of best practice sustainability.

Why would we do this?

In a highly competitive marketplace, Hayes Knight must continuously strive to understand and meet changing stakeholders' needs. Increasingly these needs include sustainable development principles namely; economic, social, cultural and environmental responsibilities.

By implementing a Sustainability Policy, Hayes Knight is recognised and respected in our role as a trusted advisor and the key role we have in enabling our clients to improve their sustainability. This will increase the value of our client's organisations without compromising the needs of the wider community and environment.

All Hayes Knight employees are aware of the work done with our clients on Sustainability models. They now need to be made more aware of how they can contribute to our sustainability plan and the wider environment in which they live.

The Hayes Knight strategic objectives are defined within our five year plan, with this revisited during each year to ensure we are on track. Core values form a large base of this plan, with financial budgets and strategies updated every year.

To ensure team are involved on an operational level, team members have formed and are included in various committees. A sample of such committees running at present are the Customer Service

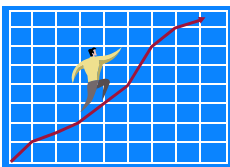
Focus Group, the lead generation team, the social networking group and the Telephone System Focus Group. Team are also involved at the budgeting level, with all team inputting their budgeted productive hours for the financial year.

2010-11 Highlights

The Hayes Knight NZ year-end is 31 January. The 2010-11 year was a challenging year, with the continued effects from the recession plaguing most businesses and Hayes Knight was not immune to this. Some of the highlights in the year were:

- Sponsorship of Emerging Talent Award through the North Harbour Club
- Sponsorship of the North Shore Business Hall of Fame
- Sponsorship of the North Harbour Sports Awards
- Sponsorship (through time) of the North Harbour Stadium
- Supported a number of charities through semi pro-bono work
- Fundraising for charities including; Starship, Alzheimer's, Pike River, Movember and Prostrate Cancer
- Team participation in various events; Round the Bays, Corporate Challenge, Tough guy/Tough girl mud run, and the Lake Taupo Relay
- Successful client evening celebrating our Gold Clients
- Several team celebrating 15 years of service
- Increased recycling by team
- Increased team training hours for the year
- Health & wellbeing week
- Decreased paper usage from the introduction of double sided printing
- Introduction and trialling of email invoicing to reduce paper and postage & increase efficiency
- Extended Christmas Break for all team
- Completion of our first team engagement survey
- Ongoing IT improvements
- First year of the new governance model
- Over \$1.1 million in fees generated from new clients
- Hosting a number of successful education seminars for clients in different sectors
- Our Newmarket office receiving it's Green Star rating

Key Concerns for 2011-12



Growth Expectations

Unfortunately the revenue for the year ended 31 January 2011 resulted in a decrease of 3.3% compared to the previous year. Revenue has been budgeted to stabilise for the 2011-12 year, with our five year strategy realigned accordingly.



Economic Climate

The post recession economic outlook remains uncertain in New Zealand with the likelihood of the country entering into the second dip of the double dip recession post the Christchurch earthquake. It is expected the business conditions encountered so far will continue until at least the latter half of the year.

Goals for 2011-12



Customer Satisfaction

One area we feel we have let ourselves slip down on is overall Customer Satisfaction. A key initiative to improve this area of business has been a group of team who have set up a Customer Service Focus Group. This group is to report to our Team Planning day on new initiatives and how to achieve them for the coming year and beyond.



Internal Efficiencies

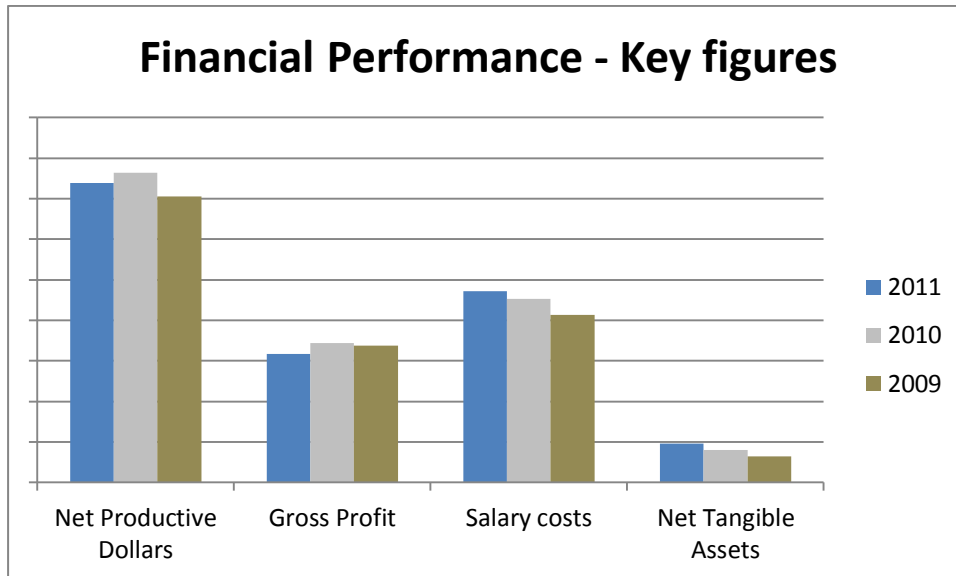
A new phone system is currently being researched. If implemented, this will deliver efficiencies across the company's three offices, with interoffice connectivity being a core service. Enhanced functionalities will also mean better efficiencies when dealing with clients and internal team.

An increase in electronic storage of documents, reduction in paper usage and a reduction in power consumption are all items which will benefit from internal efficiencies. These need to be explored in more depth, with a detailed plan on how we can succeed with reductions and efficiencies.

The move to one BAS team in Parnell and one BAS team in Albany to promote efficiencies across the organisation and within those teams.

Financial Performance – Key figures

	2011	2010
A Shareholders	10	9
Total Client Service Directors	13	13
Team (Full Time Equivalents)	106	110
% of tax returns filed	69%	78%



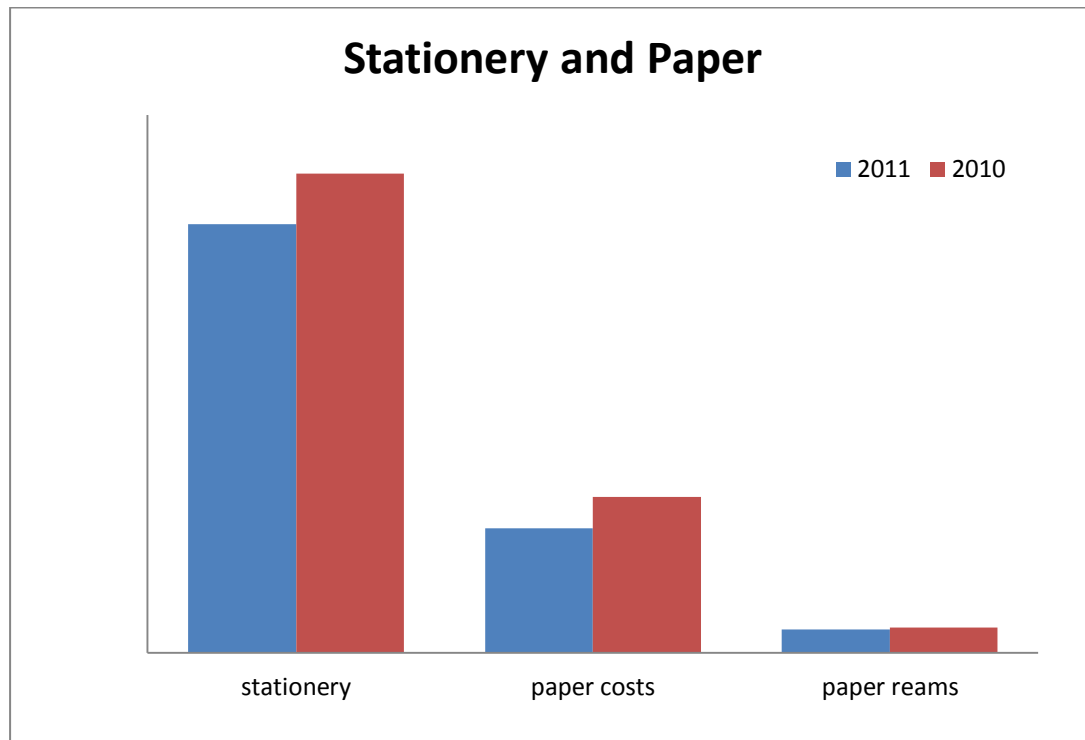
The Hayes Knight World

During 2010 Sustainable Advantage Limited was closed down due to insufficient revenue being generated and our line leader Nick Jones taking a role with a major insurance company to lead their sustainability and customer research. This resulted in the appointment of Mike Atkinson to take over sustainability consulting. The result of no 100% dedicated resource to our internal Sustainability Project was a decrease in activity and a slow down in progress. This has been identified as an area of improvement for the 2012 year, and Claire Arkell, our Financial Controller, will take up the responsibility for the project internally. Some of the improvements identified for this year include:

- Monthly and quarterly usage reporting
- Cost/usage comparisons to previous years and industry benchmarks
- Reporting on social and environmental progress
- Reactivating the internal Sustainability Council – to concentrate on the HK Sustainability strategy
- Re-energising team on Sustainability and what it means for them
- Reviewing, amending and implementing the draft Procurement Strategy
- Reviewing areas of low scoring from the “Get Sustainable Challenge” document and concentrating on improving these
- Entering the Sustainable Business Awards

Paper and Stationery

Paper usage, paper costs and stationery for the year ended January 2011 have all decreased. Although costs have reduced, there are still stockpiles of stationery and toners in all offices. To try to reduce excess stock being ordered, we are going to trial having one point of contact within the office for all stationery orders. From 1st March, all stationery orders are to go through Parnell Reception for placement with our external suppliers.



Due to increased purchasing power by consolidating our accounts, we have been able to see some excellent price reductions on the per ream cost of standard white paper. The usage reduction for the year is 8.7% and the total cost savings is 20.1%.

Tree Usage:

On average, one tree makes 16.67 reams of paper. With the decreased paper usage in 2011, this converts to a saving of 19.73 trees, however we did manage to consume 205.9 trees. The production of the paper used, contributed to 18.5 tonnes of CO₂ into the atmosphere, and used up 572,000 litres of water.

Photocopying

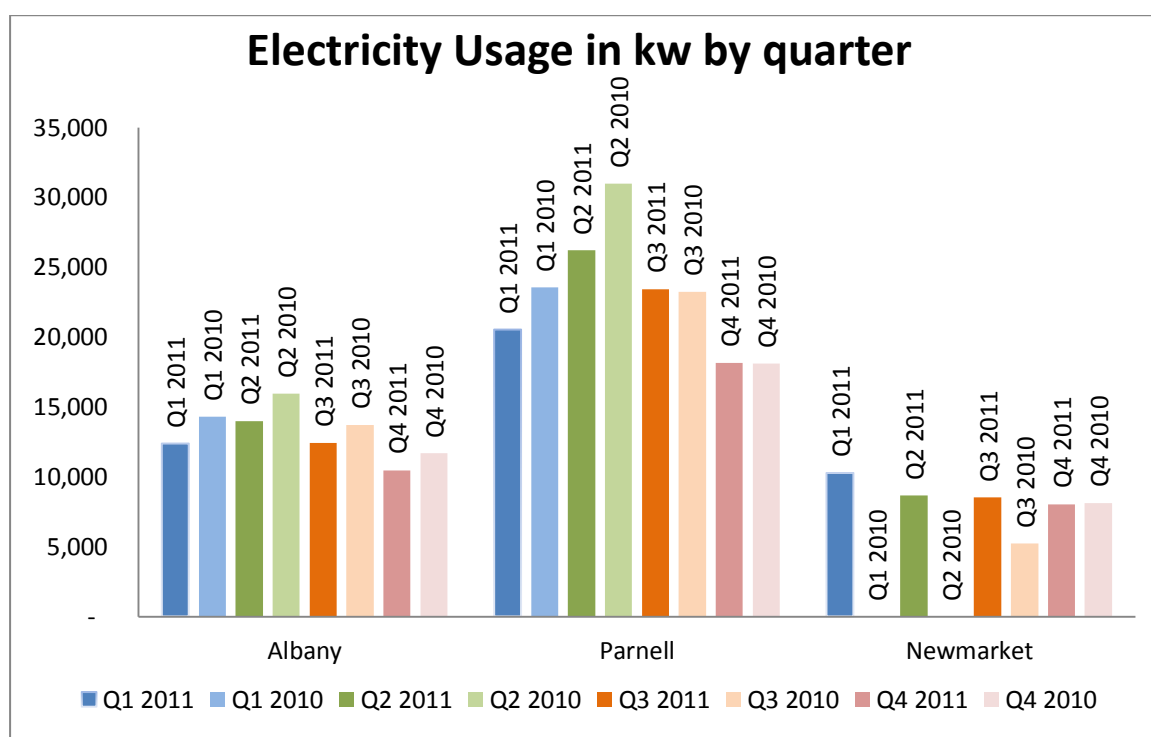
Photocopying costs have risen dramatically with an increase of 31% in costs and usage increasing by 5%. This is due to an increase of 60% in colour copies. Colour copies cost over 20 cents per copy, compared to black and white costs of 4 cents per copy.

Electricity

Audit moved to the new Newmarket offices mid 2010. As a result of running an extra office, the usage of Electricity increased in the 2011 year by 8,100 kw. As you can see from the graph below, our electricity usage peaks in the second quarter – which is when all the individual heaters are turned on during winter.

Emissions from fuel consumption at Thermal Power Stations and Geothermal Power Stations are averaged at 0.174 kgs of CO₂ emissions. Based on our power consumption, we emitted 30.1 tonnes of CO₂ in 2011 versus 28.6 tonnes in 2010.

To negate the CO₂ emissions, we would have to plant 30 trees to offset the carbon produced in the generation of power which we used last year.



Team Welfare

The headcount reduced during the period under review through the implementation of a sinking lid policy. Hayes Knight did not reduce team numbers due to the recession but rather adopted a policy of retention.

The total hours across the company for team training increased in 2011 by 3%, and team sickness increased by 2%. Total team has decreased from 111.34 FTEs in 2010 to 106.54 to January 2011. This is a 4% decrease.

The following table shows average hours by FTE team member for the 2010 and 2011 years:

Average hours per FTE	2011 year	2010 year
Sickness	39	37
Training	97	90
Billable Hours	982	959
Non-Billable hours	1,177	1,121

Implementation of Procurement Strategy

The draft Procurement Strategy has only briefly been introduced. One area needing work is consolidating service accounts – where services are replicated at each office. By doing this, we should be able to use our leverage to gain better rates from our suppliers which should lead to a decrease in costs.

Further work is also required to ensure the suppliers who we currently use, use and sell sustainable resources and have a sustainability plan similar to Hayes Knight's.

Hayes Knight Sustainability Strategy

Sustainability is increasingly being recognised as a strategy form of business, not just a tactical business strategy. As a result of reinvigorating the Sustainability Strategy, it will help us to:

- Benefit from cost reductions
- Recognise internal efficiencies
- Help us to get closer to our clients
- Increase employees satisfaction through innovation and improved wellbeing
- Highlight the Hayes Knight point of different to our team and clients

From re-energising the Sustainability Strategy, we will be proving to our clients and the wider market that Hayes Knight is living its values.

Where to from here?

Work now needs to be done on identifying key areas highlighted in the original Sustainability Strategy Plan to establish what has been implemented, what was originally identified and what has yet to be implemented. These items will form the plan for the next 12 months and the key areas which need to be addressed. From the questionnaire undertaken by the Sustainable Business Network in 2009, some key areas of concern were:

- Buy in from all Directors
- Creating a formal Sustainability Strategy document which is available to all team
- Reporting on Social and Environmental progress
- Establishment of a Procurement Plan
- Identify and undertake energy efficiencies
- Working with key suppliers to encourage sustainable behaviours
- Annual Sustainability report with frequent reporting throughout the year

The above items will form part of the 2012 Plan which will guide Hayes Knight to be more sustainable for the next year and many more years to come.