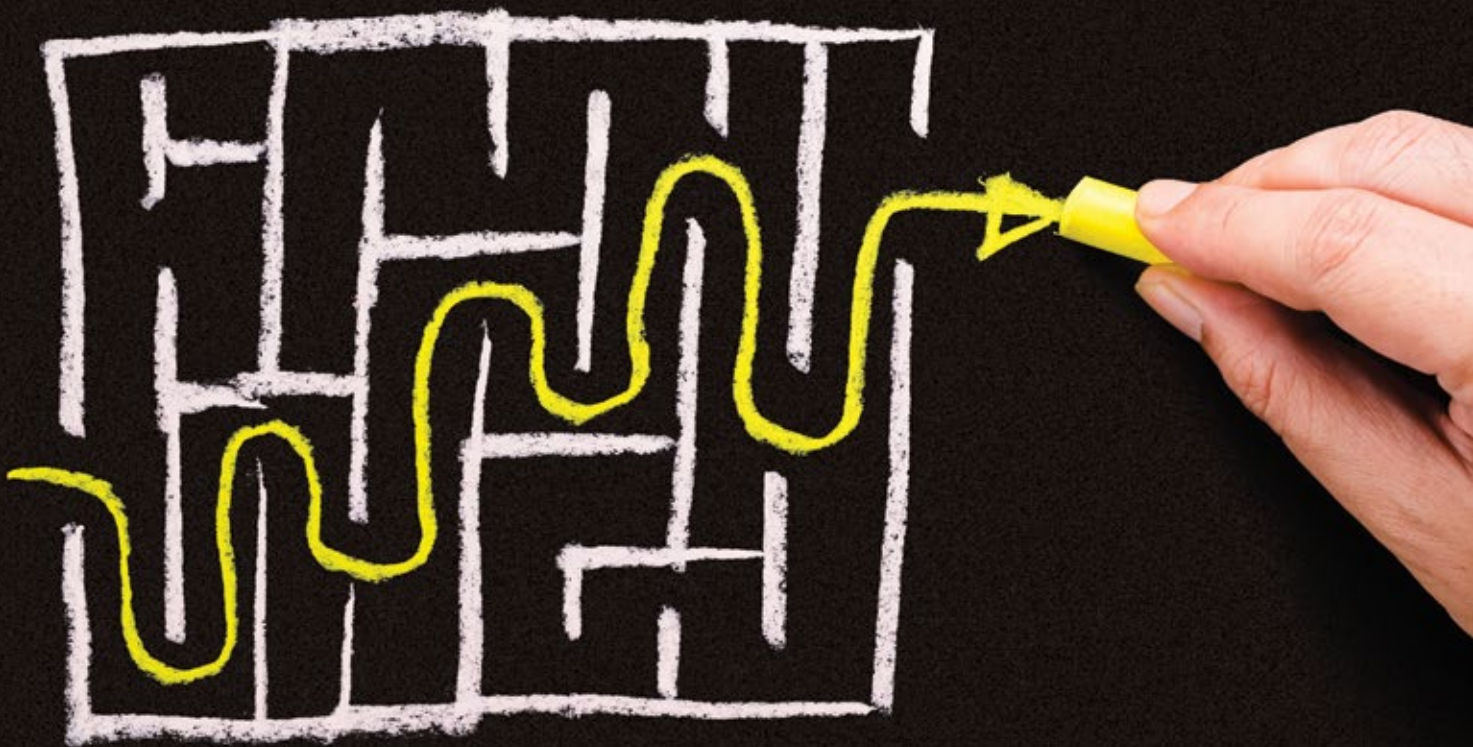


FYI

Business
North
Harbour

Invest for Success

Smart financial and legal strategies
for growing businesses



Have your say

On the Auckland
Long-Term Plan Pg 7

Money Psychology

Thinking beyond budget
and cashflow Pg 18

Economic Views

Exiting for the right
reasons Pg 30

When you least expect it, expect it

The rule of business and investment seems to be that the opposite of what is happening now is the next most likely thing to happen at some point very soon – and when you least expect it.

Managing a profitable business with positive cash flow seems like the ideal way to go, however, especially when your business is in a high growth phase or at a mature stage in its life cycle, there is a need to prepare for unexpected occurrences, market shocks or unfavourable macroeconomic events.

NAI Harcourts is the commercial arm of the Harcourts Group. It is a JV between Harcourts and NAI Global, an international commercial real estate services firm providing systems, processes, knowledge and contacts. Fundamentally our role is to give advice, solve problems and achieve our clients' goals. As many commercial property owners are also homeowners and business owners, there is that close connection with the single individual, couple or company where they see us as trustworthy, knowledgeable and able to assist them.

Our North Shore office has grown into a multi-faceted commercial real estate business covering sales, leasing commercial property management and last year we started our business broking (selling businesses) division. That need for advice and help is the reason we got started, and the quality of that advice and the results we achieve for our clients is at the core of our business.

Most of our clients are private individuals, small-to-medium businesses and family trusts, and our experience with hundreds of clients and thousands of interactions have a familiar ring to them regarding being prepared.

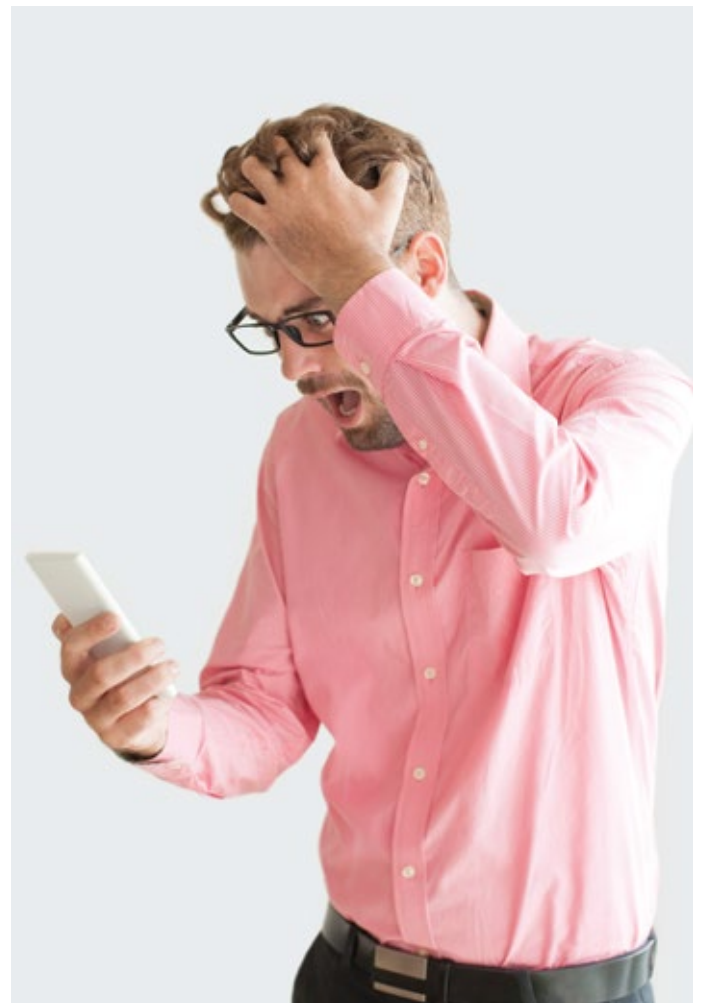
Our broadest advice would be: "have everything in order like you were either going to sell your business, become incapacitated or die soon". It may sound callous and insensitive, but too often we see our clients fall ill, have a business partner pass away, get divorced or have another reason that the business needs to be sold and things are not in order.

There are many industry professionals available to help with this, but it has to start with your intention to be prepared and organised. Then you must act.

Up-to-date financial records are a good starting point. You need detailed monthly profit and loss accounts, plus a constant check on the balance sheet, to include debtors and creditors, fixed asset values, stock value (and obsolete stock assessment), intangible asset value (and justification), debt level to profit ratios, etc. If the business suddenly needs to be appraised for market value and sold it is critical that this information is accurate and available.

It's best when your accountants and business brokers work together. This is not simply a matter of looking at a multiple of EBITDA (also less owner's drawings). Time needs to be taken to understand the industry, clients, contracts (suppliers and customers), inventory and the overall market climate and trends to determine its true market value and market appeal.

"Have everything in order like you were either going to sell your business, become incapacitated or die soon."



Another area where being prepared is vital is commercial property leases. The Property Law Act and legal lease documents have strict control over commercial property occupation and the rights of both tenants and landlords. If leases are not in order or not signed or renewals and rent reviews not documented, these rights can disappear. Commercial property lawyers and commercial real estate firms provide expertise in this area and are very familiar with deeds of leases, deeds of assignments, sub-leases and the like.

Many recent instances show that ill health, sudden death, divorce and business splits meant that a property had to be sold and the owners have discovered leases were not signed and executed correctly, exposing them to vacant premises, loss of income or missed renewals and rent reviews.

In reverse, from a business owner's or tenant's point of view, leases need to be executed correctly to offer the business security of tenure on terms that reflect the market.

Hopefully you have all had a good summer holiday and your business and investments are tracking well and in a growth phase, but it's time to reflect, to organise and seek out willing professionals to assist you with being prepared for the unexpected.

Rob Meister
NAI Harcourts
(09) 486 9260
021 900 801
rob.meister@naiharcourts.co.nz

NAI Harcourts