

Case Study – Turning the corner

A local business was referred to us from their solicitor. The solicitor had been both the company lawyer and family lawyer for many years – he had been with the company when it had traded very profitably. Over a period of 5-6 years, the company had lost its way and while just trading profitably, it struggled from month-to-month with cash flow issues. Eventually they fell into arrears with IRD and their trade creditors were getting demanding. The relationship with their accountant was at an all-time low with the owner not understanding the numbers. A crisis point was reached when the accountant accompanied the owner to a meeting with the bank. A Cash Flow Forecast was presented which the owner had neither seen nor had any input towards. The owner could not relate to the Forecast and understandably, the company's bank refused an excess and started to make noises about calling up the overdraft facility.



Today, after working with Searells, the company has cash in the bank and a book full of work – but it has yet to turn any business away. The owner understands the numbers, the trade creditors have been satisfied or have agreed to terms to have the whole debt repaid, the IRD are back on board and the owner is once again excited to go to work. A relationship with a new bank has been forged and a new funding line is available, but it is far from fully utilised. A Cash Flow Forecast that was prepared for the new bank is monitored and changes that need to be made are discussed, tested and implemented where deemed necessary.

The journey to health for this business is not yet over but progress is being made. Historical trade creditors are being satisfied at the rate of nearly \$2,500 per week and a full repayment of \$200,000 will be complete after just 15 months – and this has been out of cash flow! We will be looking for expansion opportunities once this money is released back into cash flow later this year. Working with Searells has resulted in the owner understanding monthly reports and that a healthy Profit and Loss Account does not mean cash in the bank and overall business viability. We have assisted with debtor collection processes, accurate job tracking, pricing and employing the right person to administer the office. We have even gone into bat for them with the Earthquake Commission. Creditors are no longer seen as a nuisance and IRD, while not a friend, is certainly no longer the enemy.



If you have a problem in your business then talk to us first about getting back on track.