

BUSINESS PRE-PURCHASE CHECKLIST

Buying a business is often subject to many surprises and pitfalls. To ensure that you know what you are getting, that you optimise your potential tax benefits and that you are fully informed, we suggest that the following points be addressed:

Preparation of Agreement \cup, \vee

- Identify all parties or nominees
- Identify what is being purchased ie: business or company shares
- Set the purchase price and divisions between stock, goodwill, plant, fixtures and fittings λ
- If there is lease involved, look at splitting goodwill to maximise tax benefits λ
- Does purchase price include GST? λ
- Review payment terms and settlement date λ, \vee
- Insert special conditions eg, finance, solicitor's approval, approval of the accounts etc λ

Searches \vee

Obtain all relevant searches including:

- Land Transfer Office title search
 - check ownership of property;
 - check for any caveats or encumbrances;
 - check for any registered leases (note unregistered leases may also exist)
- Personal Properties Securities Register
 - check for any General Security Agreements or charges against the Company and/or the Directors/Shareholders in the Company and/or individuals concerned
- Motor Vehicles Register
 - search records for ownership and charges
- Trade Marks Register
 - obtain indemnities/warranties re ownership;
 - check for registration of any relevant trademarks and subuser agreements
- Council
 - we recommend that you obtain a LIM and/or PIM search(es);
 - check that existing or proposed business use complies with Council requirements;
 - check for any requisitions on the property;
 - check whether there are any future developments which may affect the property;
 - check re Food Hygiene Regulations licences, if relevant;
 - check re Code Compliance Certificates for any building works or alterations to the building and compliance with Building Consents
 - check re Warrant of Fitness for building/ compliance with Building Code

Accounts λ

- Check profitability of business
- Check valuation of plant, lease and goodwill
- Check debtors - age and ability to pay
- Check monthly turnover

Lease \vee

- Check term, rights of renewal, rent reviews and location of original documents
- Check outgoings
- Check responsibilities of internal/external maintenance
- Check carpark allocations and yard maintenance requirements and status
- Obtain landlord's consent

Equipment \leftrightarrow

- Check it is in good working order
- Obtain itemised list with values
- Check whether any equipment is subject to hire purchase or lease agreements (See also Searches)

Stock \vee, \leftrightarrow

- Check that quality and quantity is acceptable and note variation percentages
- Check suppliers' agreements and terms

Staff \vee, \leftrightarrow

- Check employment contracts or present terms of engagement
- Check any redundancy/superannuation obligations
- Check leave payment status

Restraint of Trade \vee

- Ensure that the covenant is adequate to protect you
- Ensure that both vendor and, if vendor is a company, its shareholders/directors sign the restraint
- Ensure warranties are obtained from vendor re any impending legal suits

Key: Items normally attended to by:

λ Your accountant

\cup Your real estate agent

\leftrightarrow The purchaser

\vee Your solicitor – Queen City Law would be happy to assist you