

## Loan arranger prefers the solo practice life

**A Sydney-based sole practitioner has developed a profitable niche that has him roaming the Asia-Pacific.**

Richard Hill is not your average sole practitioner. He is managing director of Sydney's Richard Hill & Associates, one of the largest sole-practitioner chartered firms in Australasia. Hill, 48, specialises in finance advice for the smallest end of the listed sector, and also runs a Port Moresby firm where many clients bring in their accounts in shoe-boxes.

He achieves 20% annual growth despite the way that his work comes and goes in big lumps. Hill spent eight years in Papua New Guinea in the 1980s, the last two as a KPMG partner. He started his firm in 1982 with fees of \$20,000. In 1994, when fees were \$1.7 million, he bought out his two partners, with one of them taking \$150,000 in fees.

Dealing with small listed companies offers upside if they succeed, but there is also the risk that they will be taken over and look for other accountants. Last year, Hill lost a \$250,000 client, the former Mt Kare gold producer Carpenter Pacific Resources. It was taken over by Perth entrepreneur Danny Hill (no relation), who took the accounting work in-house. Richard Hill had, at one stage, been executive chairman and helped the group in various capital raisings. "We recovered well from the loss, without needing to let staff go," he says.

Hill won new work last year with Neptunus International, a China-listed group. "We advised them towards an urgent sale of their Chinese pharmaceutical manufacturing operation, They got \$5 million cash for it and took up a promising Australian-US venture in cancer vaccines." Hill is also a director of a New Zealand company, Anzon, and is nursing it to a float involving timber operations in Australia and possibly Papua New Guinea.

Hill's firm earns about 45% of its fees from accounting and tax, and the rest is from high-value business services and corporate advisory. "I saw five years ago that margins on plain-vanilla work were getting squeezed," he says. "Clients that 15 years ago did not even have a computer are doing 90% of their accounts now on \$1000 worth of MYOB software. My work is transaction based and it doesn't just walk in the door each year. We get clients' projects up and running and then they don't need us much.

"Projects can take a fair time to put together and we do not always get straight time-costs. We may make mistakes about our budget and get cost over-runs. Our strategy is

keeping moving to higher-level work that can command a good fee, allowing for the risks. "We often come in at the inception of a venture and get asked how it could be tackled. We probably would not charge, even if we do \$2000 of work on it. The benefit is that the client will not put the job to tender, which would be very time-wasting for us trying to compete against first and second tier low-balling.

We may even take a speculative involvement, such as an equity share of a listing. Ideally, we get some form of retainer that is a hefty discount on our normal fees. There is a top-up beyond the normal when the job succeeds, and milestone payments along the way. We can't hang out for 12 months waiting for a venture to move forward, so we have to be careful in drafting our letters of instruction. Typically, we will only make big commitments when the project is past its initial hurdle, to cut down our exposure." His hourly rates are much higher than a normal small firm's, and he loses a trickle of conventional work to firms that under-cut him.

"Our role is to do something imaginative for the project, not just run the numbers. We often find ourselves working in a team with lawyers and Big Five people charging \$400-plus an hour." Asked if his business is over-exposed to a share crash, Hill says the Port Moresby practice operates on a different cycle, providing a buffer. Any spare staff in Sydney could be re-located there. Property clients provide another buffer. "Our biggest client would be 25% of the combined practices' fees, which is high but not extraordinary. Around 20% you start to feel exposed. It would be better if our biggest client was 15%."

In recruiting staff for corporate finance, Hill competes against larger firms.

## A MAN OF MANY HATS

**Carpenter Pacific Resources:** Executive director, 1990-98, and involved in more than \$20 million of acquisitions and raisings.

**Neptunus:** Corporate adviser on sale of \$6 million of assets in China, and advised on Australian pharmaceutical acquisitions.

**Mater Misericordiae Private Hospital, Crows Nest, Sydney:** Financial adviser on the 1988-92 \$80-million redevelopment, negotiating a \$50-million facility.

**Dome Resources (Papua New Guinea):** Auditor and consultant.

**Anzon Investments (New Zealand):** Advised on re-listing and reconstruction, and acquisition of a \$5-million Australian timber retailer.

**Raku (32) Limited (Papua New Guinea):** Organised transfer of \$3.5-million timber concessions to Anzon.

"Our recruits need to be rewarded with attractive work, and we have an annual discretionary bonus. We give a 10% reward for referring new clients, and in Papua New Guinea, the manager, Greg Berry, gets a profit share." Hill travels to Port Moresby six times a year for a week's work with Berry, 47, a New Zealander and veteran of Touche Ross's PNG business. The branch has two expatriates and five local staff. The most severe problem is recruitment, with candidates concerned about security risks and other hazards.

The firm's work is largely conventional, with some forensics (court-associated) and special jobs for lenders. "There's plenty of work, the problem is to service it properly," Hill says. Bad debts at well over 5% are another problem. Many clients are a bit lax and I think 90 days is fine. With that, plus two months' work in progress, we are financing five months of fees. It is a burden and inhibits our growth. We are trying to cut debtors down by billing even more often than once a month.

<b>RICHARD HILL &amp; ASSOCIATES</b>		
<b>Net revenue, 1998-99</b>	\$1.6 million	
<b>Budgeted revenue, 1999-2000</b>	\$2 million	
<b>Current staffing</b>	Partners	1
	Professionals	5
	Total	17
<b>Key indicators</b>	Revenue per partner	\$1.6 million
	Revenue per person	\$94,100
<b>Niches, specialties</b>	Business services, re-listings, PNG resources	
<b>Affiliations</b>	Asia-Pacific Network of Accountants (APACT)	
<b>Tall poppy</b>	Richard Hill, 48	
<b>Top of his to-do list</b>	Organise clients according to his timetable, not theirs	
<b>Well, fancy that!</b>	Married and went to Port Moresby at 23	
<b>Secret vices</b>	"Yes, but to talk about them would change their character"	
<b>Best decision</b>	Becoming a chartered accountant	
<b>Drives</b>	1996 Mercedes 300 SE	

Even to get debts down to 60 days in PNG would put a nice lot of cash in our bank." Hill says he is the only person in the firm without a computer, relying on his assistant of eight years, Liz Torr. "I get the best value by spending most of my time in discussions on the phone, not fiddling with spreadsheets. I leave the compliance side to my manager Geoff Moore, just reviewing the files. I can't keep up with all the legal changes." He is pessimistic about other sole practitioners' future. "Those turning over less than \$500,000 in ordinary work are doomed unless they secure a niche market. The GST will give them a fillip for a couple of years, and then their business will just diminish. "Competition just gets fiercer, with many institutions offering to do compliance dirt cheap or free to get access to funds under management."

**TONY THOMAS**