



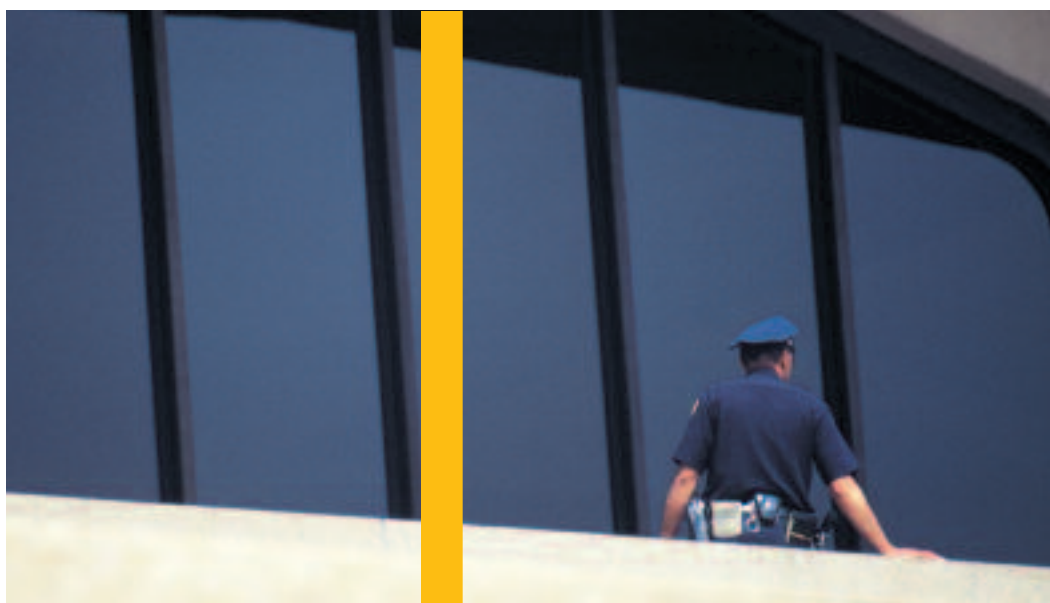
# B A L A N C E

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## Cash Resources *Provides a Secure Future*

When Adelaide security company, Integrity Security Services experienced cash flow difficulties they turned to Cash Resources to help them get back on track.

The company has been in operation since 1996 and provides mobile patrols, static guards and cash escorts for a wide range of companies and some private residents. It is a very labour intensive business where all their staff has to be paid on a weekly basis and as owner Les Ramsey described, "When it comes to getting paid from clients, we are at the bottom of the food chain".



***"When it comes to getting paid from clients, we are at the bottom of the food chain"***

"We are selling an intangible where their business will not grind to a halt if they do not have us. So if any payment is going to be delayed more than likely it will be ours", he said.

This left the business with a very serious cash flow deficiency. Mr Ramsey was

constantly injecting his own personal savings into the business to supplement working

capital brought on by growth. However, as the business grew the need for more funds also grew and a bank overdraft was required.

Eventually he investigated Invoice Discounting. "While I was sceptical at first I was reassured by the fact that

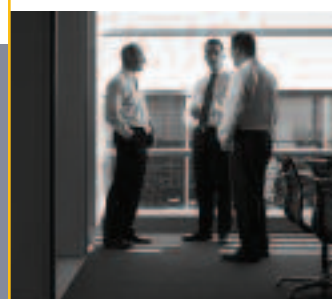
many high profile companies are using similar facilities. There is no doubt that our business would not have survived without Invoice Discounting", he said.

Initially the company had an Invoice Discounting facility with another Melbourne based company. According to Mr Ramsey, "The service provided was impersonal and very inflexible. Much of the dealings were done on computer or at best the telephone", he said. [Continued on back page.](#)

NEWSLETTER

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**ASSISTING AUSTRALIAN BUSINESSES FOR 21 YEARS**

# Invoice Discounting Provides a Way Out

Each year thousands of businesses are closing their doors because business owners who retire do not have an effective succession plan.

This situation is expected to escalate as an estimated half a million baby boomers are set to retire.

Unfortunately, business owners do not seem to place a high priority on succession planning until it is too late. The results are often disastrous, the owner walks away empty handed, jobs, knowledge and expertise are lost forever.

The reasons for failure include essential knowledge only in the mind of the outgoing owner and the lack of a suitable candidate to take over the business.

Effective succession planning must occur well in advance. Business owners need to have a strategy to transfer skills and identify potential buyers and to plan a transition strategy.

Importantly, it is also wise to structure a finance package.

For many potential management buyouts, lack of capital is a stumbling block. Quite often overdrafts, equipment leases and stock are secured by the outgoing owners property. They have to replace this security and fund the purchase price, leaving very little for working capital.

## ***For many potential management buyouts, lack of capital is a stumbling block.***

A way around this is to use Invoice Discounting to help them through that takeover phase. There are benefits for everyone when the business is effectively transferred. Sellers are rewarded for a lifetime of work and buyers can take on a proven, viable business.



# Spell out your Terms of Trade

When it comes to issuing credit and documentation, [\*John Hutchings, Senior Partner of Cornwall Stodart Lawyers\*](#) has this advice.

Many small business owners are very busy looking after the needs of their customers and often overlook some basic fundamentals of issuing credit.

Company owners need to ensure that their customer documentation is in order, where trading terms are clearly spelt out together with the obligations of the company and the customer. Their lawyers can assist by ensuring contract terms and conditions are legally enforceable and adequately protect their rights. Credit applications should be filled out for all but AAA customers and be signed by prospective customers. In addition, Mr Hutchings recommends

that companies utilise Mercantile Agency Searches, ASIC and Title Office Searches before granting credit terms.

He says "Unfortunately, I have seen it all too often; small businesses collapse through one or two bad debts and in many cases they may have been able to obtain better protection. For example, securing directors guarantees or negotiating a retention of title arrangement whereby they continue to own goods until they are paid for."

"Another trap for small business operators is the relationship with their bank. Unfortunately, long term personal relationships with your banker seem to be a thing of the past. With transfers and promotions you tend to get a succession of bankers where the replacement may be less sympathetic

to the clients needs. I would suggest that it is probably more prudent to spread their finance facilities. Maybe one with a traditional bank and another with a company like Cash Resources."

Mr Hutchings goes on to say "Business operators need to be very proactive when chasing debts, preferably slightly before the due date. While this may seem obvious, "Your best loss is your earliest loss" where decisions can be made to cut supply and limit your losses."

"When you do need assistance, get it early. Whether you go to your lawyer or a Mercantile Agent will depend on the size and circumstances of the debt. If you choose to go to your lawyer make sure the lawyer is fully briefed on your business and that you can have an initial discussion without it costing you."

# The Many Hats of a Small Business Owner

As a small business owner you have to wear many hats. A salesman, a production manager, an HR manager, an accountant, a receptionist and sometimes even a cleaner.

**It is not easy and often very stressful juggling so many responsibilities.**

Successful business owners prioritise and focus on what they do best and delegate or outsource other priorities.

It seems that it is tougher than ever before with finding the right staff, meeting BAS and other taxation obligations and complying with Government red tape, not to mention keeping your customers happy and finding new ones.

Small business owners are almost invariably time poor and must carefully manage this precious resource.

One task that simply cannot be neglected is the company's finances or more precisely cash flow. Cash flow is vital to every business, without it the company dies. It is estimated that over two thirds of business owners play a key role in managing cash flow on a daily basis. This might be ringing some debtors, delaying creditors or speaking with the bank.

That's an enormous commitment of time and takes the focus away from the core business activity, making and selling a product or service.

One solution to this problem is Cash Resources debtor funding or specifically Invoice Discounting where you raise invoices and send them to your customers as normal. However, you also send a copy of them to Cash Resources who will pay you up to 80% of their value, usually within 48 hours. The balance, less fees is reimbursed as

you collect payments from your customers and forward them to Cash Resources.

While you still have to collect payments from your customers, the urgency is taken out as is the juggling of finances on a day by day basis.

This is one hat that can be past over to Cash Resources, leaving you more time to do what you do best.



## What Is Important To You?

For business owners, running a business is a complex, stressful and challenging task.

So what is important to small business owners. A recent survey of small business revealed the top priorities for small business operators as follows:

### 1. Strengthening Customer Relationships and Creating New Business Opportunities.

The key challenge is finding time to get closer to customers and preparing and implementing a marketing plan.

### 2. Finding the Right People.

Most people would hire immediately if they could only find the right people.

### 3. Growing the Business.

A majority of respondents feel that lack of finance, finding the right people and excessive government red tape are key hurdles for business growth.

### 4. Keeping Pace with Technology.

Not surprisingly, everyone believes that technology has made them more efficient, however, keeping pace with technological advancement is extremely daunting.

### 5. Finding Expansion Capital.

Finding competitive and flexible funding solutions for expansion has been an issue for many small business owners.

### 6. Managing Cash Flow.

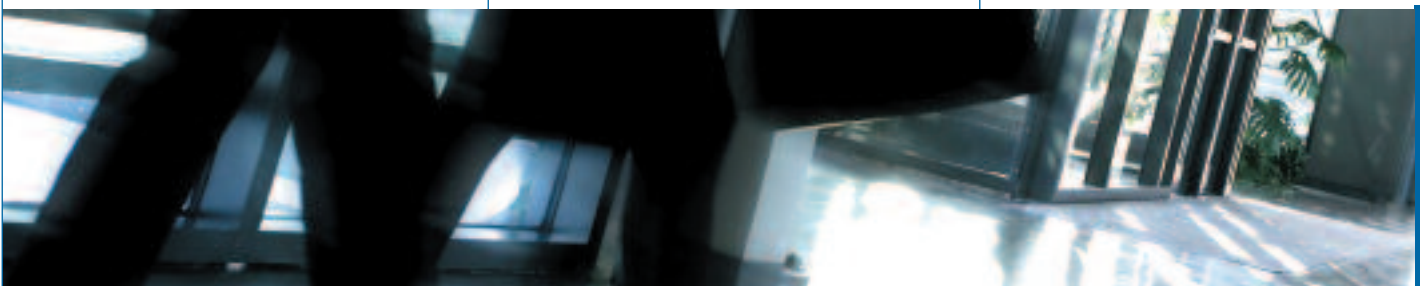
Most small business people say that management of finances on a day to day basis is vital to their survival.

### 7. Retirement & Successful Planning.

For many business owners over the age of 45, succession planning was considered but rarely acted upon. It became a much higher priority for business owners over 55 years of age.

### 8. Creating & Implementing Strategy

A high percentage of business owners felt that creating and executing a business plan was vital to their ongoing viability.



# 21 Years of Assisting Australian Business

***Continuing our series from the last newsletter, here is a further cross section of companies Cash Resources have assisted.***

"The package (Cash Resources Invoice Discounting) has been in place for over two years and our team of contractors has grown threefold. We are generating enough revenue from our contracting division to undertake the development of a suite of products simultaneously. In addition, the facility has enabled us to reduce our debt level with the bank."

***Managing Director of a Melbourne Software Company. (2001)***

"We would not have a business today if it wasn't for John Saliba and Cash Resources. At every opportunity, he has gone out of his way to ensure that our needs were met. Over the years we have had a number of approaches from Cash Resources competitors but with the excellent standard of service we have received from Cash Resources you wouldn't consider going anywhere else."

***Gordon and Karen Hedges established Safety and Fall Prevention Australia Pty Ltd. (2006)***

"Having utilised Cash Resources previously, we had no hesitation in contacting Cash Resources again and the turnaround has been rapid. We are now back on track, we are tendering for more business, I have the taxation office off my back and I have been able to dispense with the bank overdraft I had previously put in place."

***Owner of an Adelaide Engineering Business. (1987)***

## Continued from page 1

Twelve months ago Mr Ramsey decided to shift the facility to Cash Resources in Adelaide. "The difference between the service offerings could not be more further apart", he said.

"The standard of service from Cash Resources is outstanding. I can walk into David Ciccolella's office and talk to him about our needs and he is



"What a huge success story. Earlier this year Austin Taylor paid the first installment to our creditors plus priority entitlements. With support from Cash Resources, turnover for the financial year ended June 2003 jumped significantly to \$4.2 million and they are currently on target to reach a staggering \$10 million turnover this year. Austin Taylor have worked on major projects for BHP Billiton at their new mine at Newman, the Argyle Diamond Mine, Kangara Zinc and Newcrest at Mt Telfer. Cash Resources have been with the company all along and without them there is no doubt that they would not be around today."

***Austin Taylor of Accountants Grant Thornton. (2004)***

genuinely interested in the welfare of my business". he said.

"Having a partner like Cash Resources has enabled us to take on much larger projects and helped me to focus on building my business", he added.

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