



BALANCE

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Finishing Business **Expands Through** *Invoice Discounting*

When a 52 year old executive with a large print company was retrenched, he saw an opportunity to invest his entitlements into a print finishing business.

For years he had outsourced the manual work that could not be handled by machines like collating, gluing and assembling different print components. At the time he considered that this type of business was not capital intensive and was not as competitive as printing.

As he had left his previous employee on amicable terms, he was able to secure their business immediately. He leased a modest factory and recruited a team of casual staff. With his knowledge and contacts in the print industry the work flowed in.

As the owner explained, "At the start I ran the business lean and mean with just myself

handling new sales, account management, production control, dispatch, accounting and even reception duties. My time was stretched pretty thin", he said.

"With limited amount of time on my hands, invoices were often late being sent out and I couldn't afford the time to chase payments".

"Having constant access to cash gives the business the resources to rapidly move forward"

The staff had to be paid on a weekly basis and some of our printers were holding on to payments for over 60 days".

"It was only about eight months after I commenced that I faced a serious cash flow shortage. Fortunately, I was able to secure a small overdraft from the bank, however, this

was only a short term fix to my problems".

The business desperately needed support staff, materials handling equipment and storage shelving. In addition, new technology was becoming available to enable some of the tasks the business was doing to be handled at a fraction of the cost.

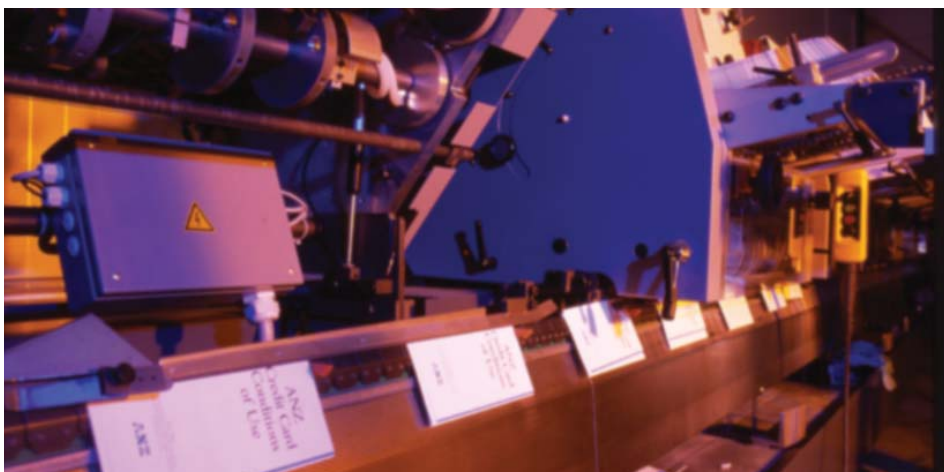
With little personal assets, the owner did not have the security to extend his overdraft so he had to look at other sources of finance.

His external accountant suggested Invoice Discounting and asked him to call Cash Resources Australia.

"Within three days, Cash Resources had approved an Invoice Discounting facility and advanced approximately 80% of our receivables which was just what was required to turn the business around."

"This facility has provided us with so many benefits, the owner said. Firstly, we were able to discard the overdraft facility and comfortably meet all our commitments."

"Having constant access to cash gives the business the resources to rapidly move forward and take advantage of more business opportunities", he concluded.



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Cash Resources Provides Foundations for **Spectacular Turnaround**

One of Cash Resources greatest success stories has been S & N Concreting and Construction, based in Darwin.

The company provides specialist civil concrete services in remote areas, particularly for mining companies. They even performed work for the United Nations in East Timor.

However, approximately two and a half years ago, the company faced extinction. They had incurred a substantial bad debt, their debtors payments were slow and the Tax Office was becoming extremely aggressive.

It was at this time that David Ciccolella, Cash Resources South Australian State Manager and Austin Taylor of Accountants Grant Thornton

approached the directors of S & N Concreting and Constuction. As a result the company went into voluntary administration and entered into a deed of company arrangement with creditors.

With Cash Resources support they continued to trade and were tendering for and winning new business. Cash Resources provided an Invoice Discounting Facility for progress payments on all projects. With access to nearly 80% of the funds, normally within 48 hours of invoicing, the turnaround in the companies financial position has been spectacular.

According to Austin Taylor, "This has been a huge success story. Earlier this

year they paid the first instalment to creditors, plus priority entitlements. With Cash Resources support 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."

They 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", Mr Taylor concluded.

Tips To Improve **Business Profitability**

1 Cut overheads by automating almost everything. Accounting, reporting, voice mail, ordering, fulfillment, customer service and sales.

2 Cut variable expenses by negotiating with suppliers. If you're seeking higher profits, you'll need your suppliers to reinvent themselves too! The smart suppliers will be empowered by your request.

3 Cut variable expenses by redesigning (re-engineering) how work gets done/how the product is produced. This should be a continual process and second nature to you.

4 Increase productivity by expecting 50%-100% more from everyone. (Yes, really. THAT much more.) And give them the best tools and training needed to produce more, without stress.

5 Leverage your strengths by extending the product/service line. If you can easily add supplemental products or customized versions at the

same profit margin, your overall profit should increase.

6 Each quarter, challenge your assumptions about your industry and your company. Profit is ALWAYS temporary. What keeps profits increasing long term is staying in touch with an always-changing marketplace/industry.

7 Experiment with new ideas, new types of products and new processes. Invest 1% of sales into making boo-boos, radical experiments, intuitively-based decisions, think tank getaways -- whatever is beyond the 9 dots.

8 Have and hire only employees who continually impress you with their initiative and competence. Let everyone else go. Increasing profits come from great employees, not average ones.

9 Turn your customer service department into the R&D Department of your company.



John Saliba

Staff Profile

John Saliba joined CRA in 1998. Prior to joining CRA, John built up a wealth of experience in Credit Control and Client Service in Commercial Finance, servicing the small and medium sized business sector.

John is well versed in the credit aspects of equipment finance, property finance and debtor finance making him a valuable asset to the Sydney office team.

Design Invoices That

Encourage Action

Having the money you're owed sitting in someone else's bank account can seriously interfere with your business' cash flow. If many of the clients or customers you invoice are slow payers, maybe it's time to look at your invoices; they could be contributing to your collections problem.

Does the invoice you're sending out encourage action or inaction?

Instead of using invoices that encourage inaction, use invoices that encourage prompt payment.

For example, many invoices are simply marked, "Payable upon receipt". Invoices so labeled are saying to your customers or clients, "Pay me when it's convenient for you," instead of "Pay me now." Those inclined to be slow payers will find the built-in excuse especially convenient; we've all heard the line "The cheque is in the mail!"

Worse, some invoices have boxes such as "current", "30 days", "60 days", "90 days", and "over 90 days" that broadcast the aging of the account that's due. Using an invoice that's formatted this way is also broadcasting to those inclined to be slow payers that you're

willing to serve as a creditor; there's no reason to pay you right away.

Instead of using invoices that encourage inaction, use invoices that encourage prompt payment. All of the invoices you send out should state a specific date of payment, such as "Due on November 30, 2003", rather than "Payable upon receipt", or "Due in 30 days". People are much more likely to

pay attention to a specific payment date, and you eliminate the possibility of misunderstanding or loose interpretation.

You can also encourage prompt payment of invoices by offering an incentive to pay on time. Many businesses, for instance, offer a small discount for paying within 14 days of an invoice date. A discount of two per cent for payment within fourteen days is common.

Don't let your invoices contribute to collection problems and make your prompt payers feel as if they're being unfairly treated. Using invoices that state specific dates that payment is expected and offer an incentive to pay promptly encourages action - and will help get the money you're owed flowing into your bank account.



2003 **Management Conference**

Cash Resources recently conducted it's Annual Management Conference at their head office in Melbourne. State Managers and all sales staff flew into Melbourne for the two day event.

According to Cash Resources' Managing Director, Mr Alan Kaye, "The Conference

was a great opportunity to discuss new ideas, directions and how we can constantly enhance the services we provide our clients".

One of the highlights of the Conference was an address by Stan Alves, former VFL player and St Kilda Football Club Coach.





Close The Cash Flow Gap

A cash flow gap occurs when your cash inflows and cash outflows don't keep pace with each other, leaving your business short of cash.

This is an especially common problem for small businesses, where copious cash outflows may repeatedly precede cash inflows; all kinds of expenses, from purchasing materials necessary to do the work through licensing or permit fees, may have to be paid out before your small business gets paid for the work completed.

Keep a close eye on your cash flow, so you can forecast potential cash flow problems and take steps to remedy them.

How do you close this cash flow gap and keep your business solvent?

1 Keep a close eye on your cash flow, so you can forecast potential cash flow problems and take steps to remedy them. One of the easiest ways to monitor your business' cash flow is to compare the total unpaid purchases to the total sales due at the end of each month. If the total unpaid purchases are greater than the total sales due, you'll need to spend more cash than you receive in the next month, indicating a potential cash flow problem.

2 Take steps to shorten your cash flow conversion period, so your business can bring in money faster. These steps may include:

- Preparing customer invoices immediately upon delivery of your goods or services to the customer. If you wait to prepare your invoices at the end of the month, for example, you may be adding as many as 30 extra days to your cash flow conversion period!



- Monitoring your customers' use of credit and adjusting their credit limits accordingly.
- Offering customers a discount for paying their invoices early. For instance, if your usual policy is to have payments due in 30 days, offer a small discount such as 2% to customers who pay within 14 days.
- Establishing a deposit policy for works in progress. For example, if you deliver a service,

such as software development, home repair, or landscaping, you can adopt a policy that customers pay a certain percentage of the total invoice up front before the job begins.

- Tracking your past-due accounts and actively pursuing collections. Most accounting software programs let you easily track past-due accounts, but you also need to have a clear process for pursuing collections. Such a process might involve sending out a series of letters letting your customer know that his or her account is past due and what steps will follow if he or she does not pay, such as turning the account over to a collection agency.

You have to have money coming in regularly to maintain an adequate cash flow for your business, not just endlessly streaming out. Monitoring your cash flow and taking steps to shorten your cash flow conversion period will go a long way towards eliminating those dangerous cash flow gaps.

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