

Newsletter

BALANCE



Cash Resources provides a breath of fresh air

Perth-based Starlight Asset Pty Ltd is the exclusive distributor of the Redline Disposable Breathalyser, which has recently been launched in partnership with Crime Stoppers into the Australian retail market. With the help of Cash Resources, Starlight is set to be the leader in this niche market in Australia. Cash Resources has provided Starlight with the ability to expand their operation and solve their cashflow problems quickly and easily.

The product is a simple, convenient and inexpensive device which will provide an accurate and reliable measurement of Breath Alcohol Content against an indicator of the 0.05% drink-drive limit, to help the user decide if they are safe and legal to drive following consumption of alcohol.

Starlight Asset Pty Ltd is establishing a network of sub-distributors and agents to address the needs of the various retail channels.

Managing the marketing and sales of a consumer product with multi-channel opportunities is a huge undertaking, particularly at the time of market entry

and launch. The finance required for a 'big-bang' style launch was well beyond Starlight's own reach, and therefore various sources of finance were considered before Cash Resources was chosen.

Nick Clews, Director of Starlight Asset Pty Ltd, said "As sales volumes increase, the infrastructure required to manage the product will obviously be self-funding, but required a 'kick-start' mechanism".

"Cash Resources clearly displayed an entrepreneurial spirit from the outset. They very quickly understood the Starlight business and immediately recognized the market opportunities for Redline, even though operating within the retail marketplace in Australia was somewhat new to them. The management structure allows for quick decision-making and the small team in Perth has had a very positive and helpful hands-on approach to building the relationship with Starlight right from the outset", Mr Clews said.

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"Cash Resources has provided Starlight with the ability to expand their operation".



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Cash Resources provides a breath of fresh air

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After review of a myriad of alternative forms of finance, Starlight chose Cash Resources and have subsequently experienced many business benefits.

“The benefits have been immense. In summary, Cash Resources provided the resources which allowed Starlight to undertake various commitments during the launch period (which is

“The Cash Resources team in Perth has provided an outstanding service to Starlight.”

still on-going), and allowed Starlight’s management to concentrate on the aspects of developing the business and establishing the brand in which it has its core skills”, Mr Clews said.

The Cash Resources team in Perth has provided an outstanding service to Starlight. “Apart from the very friendly relationship which has been quickly established, they have been professional and helpful in providing their services. They have made it quite clear that solutions can be found to virtually any problem, even if it means adjusting the Cash Resources internal systems to suit just one small customer,” Mr Clews said.



In Brief:

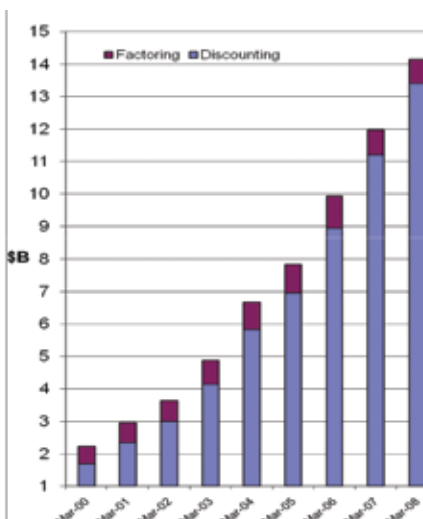
Debtor Finance Hits Record High

AUSTRALIAN MARKET

Total factoring and discounting turnover in the March 2008 quarter was \$14.4 billion, an increase of \$2.2 billion (18%) on the same quarter last year, with factoring turnover of \$744 million and discounting of \$13.4 billion. Total turnover for the year to the end of March was \$57 billion.

TURNOVER

\$billion per quarter



Source: IFD, 16 June 2008

Causes of Business Failure

Financial Control

Many small businesses fail because managers do not integrate accounting and accounting practices to a reasonable level in their business. By failing to do so, they suffer from a lack of financial control and consequently cashflow problems force the business to fail.

Lack of Funds

One of the major causes of business failure is the lack of start-up capital. This highlights the reason why many small businesses fail to continue trading after the first three years of initial set-up. If you feel that your start-up capital is not enough, then you should wait until you have saved the amount you need before starting your business. Starting without the necessary capital is destined for business failure.

The lack of funds can lead to excessive borrowing and consequently, businesses become insolvent because their liabilities (borrowings) are higher than their assets.

Competition

Competition can also cause cashflow shortages, as your business will be forced to offer competitive prices to try and penetrate a highly competitive market. By doing so, you are leaving yourself with a small profit margin making it difficult for funding other areas in the business. You should therefore be cautious that you are not entering a highly competitive market during the startup stages of your business.



Beating business back into shape

A2B is a Perth based panel beating business servicing the commercial vehicles industry in Western Australia. Their services include paint and panel, body building and accident repairs.

A2B's clients include Trans Perth, Diesel Motors (Mercedes-Benz) and Oryx Truck and Trailer rentals. Set up 5 years ago as a one man business by Ian Welling, A2B has grown to now employ 20 people.

“Basically it’s given us cashflow to be able to grow,”

“We were expanding at a rapid rate of knots and the overdraft we had wasn’t sufficient. The choice was to go for an extremely large overdraft or invoice discounting,” Ian said.

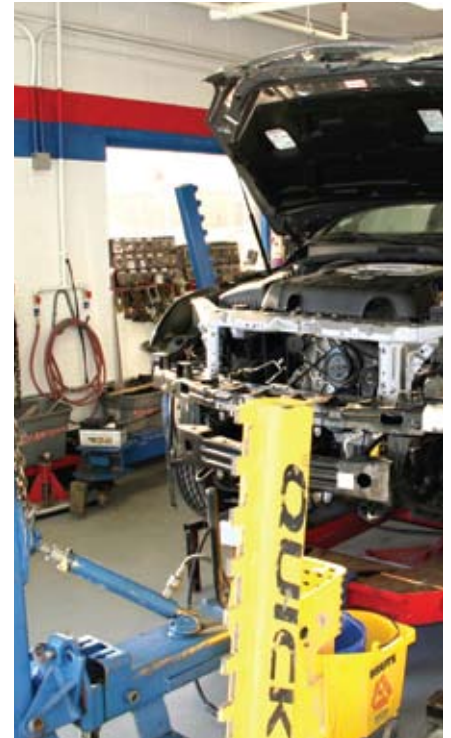
“Back in England, my father had a company which used invoice discounting so I was aware of this

service. We provide services to our clients on credit, which is why we need Cash Resources,” Ian said.

Ian opened the Yellow Pages and found Cash Resources, deciding to go with them as they were the most efficient provider he investigated.

The Business benefits of debtor finance have been significant for Ian and his team, “Basically it’s given us cashflow to be able to grow, providing the facility to expand as demand for our work grows. With work being thrown at us, Cash Resources has allowed us to take it all on, instead of having to turn jobs down.”

“The quality of service provided by Cash Resources has been really efficient. This is why we chose them, and the business has been able to grow much easier with their help,” Ian said.



Cashflow Solutions for a CRM Success Story

Aaromba is a specialist provider of CRM & Service Desk Solutions in the Asia Pacific Region. Our vision is to be the best provider of business solutions for commercial businesses ranging from SME to Corporate Enterprise which optimise relationships with customers and staff, maximising the profits of engaged clients.

Aaromba's clients include Victoria University, Monash University, Swinburne University, Melbourne Business School, Wesley College, BHP Billiton (NickelWest), Leighton Surf Control, Olympic Dam Operations SA (BHP Billiton) and Australian Fast Foods (Red Rooster) to name a few and have 40 staff nationwide.

Quick expansion to provide a national presence as well as overseas clients meant cashflow needed to be available promptly, which is where Cash Resources fits into this equation. Jason Ferguson, Western Australia's General Manager, commented, “We were moving offices and had key staff away, so removing the pressure of delivery of funds from debtors was the main driver in speaking to Cash Resources.”

Aaromba looked at other forms of finance but Jason stated, “The main reasons traditional methods were excluded was the timeframe and associated costs.”

“We chose the facility due to the flexibility it provided and minimal costs. Cash Resources allowed us to access funds easily as and when we required them.”

“The service we received was exemplary. I would have no hesitation in recommending Cash Resources to anyone looking at financing options,” Jason commented.

Recession proof your business

With record interest rates soaring fuel prices and a general tightening of the economy, what are the implications for business owners? Typically, we might expect to see invoice payment terms being stretched, non-essential purchases being delayed or cut back and increases in the number of business failures. A key issue for business owners is how to "recession proof" their business against a possible downturn.

Here are some basic tips to recession proof your business

1. Improve your cash reserves

If you have cash reserves you will be better placed to cope with a slow down in debtor payments or client failures. By putting in place an invoice finance arrangement, you can make the cash available that is tied up in unpaid sales invoices. Even if you don't need to call on that cash now, by having a facility in place you know that you have the ability to access cash if the need arises.

2. Minimise unnecessary expenditure

It might sound obvious but when sales are going well it is easy to allow expenditure of non essential items to increase. By being careful with expenditure from an early stage you will minimise the level of sales that you need in order to break even. If the economy enters decline you will be better able to cope with a reduced order book. Alternatively, if it doesn't, you will have boosted your profitability.

3. Bad debt protection

One of the key features of recession is customer failures. You can protect against this with a credit protection policy.

4. Customer contracts

It depends on what type of product or service you offer but if possible, seek to contractually lock customers into using your services for a period of time. This will give you some predictability of income.

5. Don't stop marketing

A key mistake that many businesses make in the face of recession is to stop marketing. This is an area of expenditure that is often first to be cut. However, reducing marketing spend can be counter productive as it could impact on your volumes of sales.

6. Focus on recession proof customers

Once again, this depends very much on the type of business that you have. Focus on sectors that are better able to weather a recession such as financiers, essential business services and government owned organisations.

For more information about how invoice finance might help recession proof your business, please contact your nearest Cash Resources office.



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