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# BALANCE

A Cash Resources Australia Publication

## Cash Resources Provides Invoice Discounting Package

Cash Resources recently came to the rescue of a Melbourne Packaging Manufacturer. Two years prior the company was bought out by management after it had been a family business for over 40 years.

The business manufactures custom designed cardboard and plastic packs for food, cosmetics, giftware, apparel and pharmaceutical markets. They provided a complete solution from design and manufacture to storage and distribution.

Unfortunately the company's bankers were looking to reduce their overdraft exposure after the company failed to meet its forecast profits. While business was slow for a period of six months, management were negotiating some lucrative long term contracts.

As one of the directors explained, "These new contracts required additional machinery and tooling plus we needed working capital to continue to purchase stock".



"It was a frustrating time for us. We had done it a bit tough and finally we saw some light at the end of the tunnel. However, our bank was unwilling to continue. Obviously our situation fell outside their safe lending criteria", he said.

“ He took the time to get to know our business with a tour of our factory and thorough review of our industry. ”

"We also looked at an additional equity partner, however, this would have diluted our equity", he continued

It was then a business colleague recommended Cash Resources Australia.

"When we met Cash Resources, the BDM was very professional. He took the time to get to know our business with a tour of our factory and a thorough review of our industry".

"At the end he recognised the enormous potential of these new contracts", he said.

"They advised us to reduce the overdraft facility to a level that the bank was comfortable with and supplement this with Invoice Discounting from Cash Resources".

"That was five months ago now and we have not looked back since. The volume of work generated by these new contracts was much more than we expected but we now have the peace of mind that we can comfortably fund further growth", he said.



# Quick Solutions to Difficult Funding Problems



One of the things that always amazes our new clients is how quickly we can implement a business funding solution.

As Australia's leading non bank debtor financier, Cash Resources have worked hard to streamline the application and approval process. The application form is simple to complete and we have a team of consultants available to provide professional advice. Unlike the large banks where your application will pass through multi levels of authority and excessive red tape, Cash Resources has one level of authority and you have access to the person making the decision.

Whatever your requirements, whether it be starting up a new business, expanding your existing business, acquiring another business or refinancing existing debit, Cash Resources can respond quickly and it is not unusual to have a facility in place in a week and sometimes quicker.

## Hear what some of our clients have said.

"Having been put through the wringer by my bank, this was a refreshing change. My Invoice Discounting Facility was in place within 4 days".  
- Owner Small Printing Company

"I was absolutely amazed how quickly Cash Resources responded, it's very impressive".  
- Director Recruitment Company

"This has to be one of Australia's best kept business secrets".  
- Sydney Real Estate Agent

## Business Quiz

Email us your answers to these questions and the first entry that correctly answers all questions will win 6 Bottles of premium Australian wine. Entries must be received before 8th December. Correct answers will be published on the Cash Resources website from 12th December.

Email answers to: [info@cashresources.com.au](mailto:info@cashresources.com.au)

- Q1. In the USA what name was given to a seller of illegal alcohol?
- Q2. In 1996 what overtook Coca-Cola as being the most well known brand name in the world?
- Q3. Ron Dennis has been the manager for many years of the team behind which Formula One motor racing car?
- Q4. Which country is home to Grolsch Lager?
- Q5. P&O, the shipping line, stands for what?
- Q5. What is the metal or plastic end of a shoelace called?
- Q6. Who invented the lift/elevator in 1853?
- Q7. Who was responsible for bringing down Barings Bank?
- Q8. Which mobile phone company shares its name with a fruit (it's Australian)?

# Is a Bank Overdraft Right for You?



**So is your bank overdraft restricting your company growth? An invoice finance solution that moves forward with your business could be the answer.**

While many businesses prefer a bank overdraft there are many disadvantages.

- Many think it is set and forget, however if the business is growing it may have to be rearranged regularly, incurring new set up fees, even during the term of the facility.
- It is "at call" and can be called in by the lender at any time.
- You face administration fees if you exceed the agreed limit.
- Overdrafts are normally secured against business assets - the lender can take control of these if you don't repay the overdraft.
- You can only get an overdraft from the bank where you maintain your current account. In order to get an overdraft elsewhere you need to transfer your business bank account.
- The interest rate applied is nearly always variable, making it difficult to accurately calculate your borrowing costs.

Banks typically set and limit business overdraft levels based on a company's trading history, without recognising the true value of a company's liquid assets, e.g. debtors. This means that an overdraft is a backward looking, rigid way of financing growth, with the worrying disadvantage that it could be withdrawn at anytime, especially in today's business climate.

In direct contrast, an alternative business funding option is revolving debtor finance such as an invoice discounting facility that grows with a company's sales day by day and is only constrained by the level of invoiced business transactions.

Debtor finance acknowledges what is for many 'small to medium enterprises' their primary asset, i.e. the outstanding value of any trade sales offered on credit terms. When a company grows, therefore the value of any outstanding invoices increase, then a flexible cash flow solution such as invoice discounting automatically expands with those debts thereby filling any potential funding gap for supplies, raw materials etc.

Invoice finance is therefore an asset based facility, which can accommodate business expansion, typically giving fast access to cash up to 80% of your outstanding trade debts. Cash raised in this way can be used to reduce or complement an overdraft facility, but more importantly maintain cash flow or working capital and give the company the opportunity to achieve supplier discounts through early payment.

## Your business may qualify for Invoice discounting if:

Your company trades with other businesses i.e. B2B

Your company offers to supply products or services on credit terms e.g. 30, 60 or 90 days.

You have a reasonable spread of customers i.e. no single customer accounts for more than one third of turnover.

## Your business may NOT qualify for Invoice discounting if:

Sales are direct to the public, commercial only sales is a mandatory requirement.

Many invoices are issued for relatively small amounts.

Payment disputes are a regular feature of the business sector you operate in.

Speak to your nearest Cash Resources office and they will provide you with professional advice.

# Getting off to a Good Start



While the economy is still tight, most new businesses are finding it tougher and tougher to start up. Not only do you have to find staff, premises, suppliers, equipment and customers, you have to fund all of this.

Credit continues to be challenging and small businesses, particularly start ups, are finding it increasingly difficult to find the capital they need to turn their ideas into a viable business.

In addition, private equity companies are more reluctant to become involved in start up businesses and are more concerned about protecting current portfolios.

One option for start up businesses is Invoice Discounting which provides a flexible form of working capital.

Invoice Discounting is particularly suited to start up and growing businesses and those with insufficient security to obtain conventional forms of business finance.

Whilst businesses, new and existing continue to provide their Goods and Services, current statistics suggest average debtor payments are around the 55 day mark. This leaves the cash flow of the business in far too tight a position.

Invoice Discounting gives you access to up to 80% of the value of your invoices, usually within 48 hours.

**Talk to your nearest Cash Resources Office about how Invoice Discounting can fund your working capital requirements.**

Melbourne  
Building 5, Level 2, 658 Church Street  
Richmond VIC 3121  
T (03) 9426 7777 F (03) 9426 7788

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Level 1, 50 King Street  
Sydney NSW 2000  
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123 Logan Road  
Buranda QLD 4102  
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Suite 13, Level 1, 132 O'Connell Street  
North Adelaide SA 5006  
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