

Newsletter



BALANCE

Cash Resources Delivers

When a Brisbane courier and local freight company struck financial difficulties late last year, they turned to Cash Resources for assistance.

The family owned business had been in operation for nearly 15 years. They employed over 20 drivers and six administration staff as well as up to 25 additional sub-contract drivers. While they have clients in a number of industries, they had developed an excellent reputation in retail business and in particular white goods.

2008 was a year of mixed fortunes for the family. In January they saw an opportunity to take over a smaller business

that specialised in general freight between Brisbane and the Sunshine Coast. The acquisition was funded by family money and an extension of their bank overdraft. It meant an additional 6 drivers, lease payments on vehicles and rental of a Sunshine Coast depot and usual on costs.

At first the acquisition went smoothly, according to the owner of the business. "They had over 50 regular customers,

the drivers were excellent workers and things looked rosy."

"What we didn't anticipate was the slowness with which the customers paid. Obviously the previous owner had large cash reserves and was not reliant on prompt payment of his invoices. Many of them were paying over 60 days and some were over 120 days," he said.

The situation was made worse with the downturn in the economy and payments were also being delayed from their existing customers. The business was struggling to meet its weekly payroll, payments to subcontractors, fuel and leasing commitments as well as taxation payments.

It had to find a new source of finance. With commercial bank lending drying up and other traditional forms of finance reluctant to lend, the business was getting in a deeper and deeper hole.

"Fortunately, one of the staff remembered receiving a flyer from Cash Resources and still had it on file," the owner said.

"We spoke with Cash Resources and they explained their Invoice Discounting facility. Within a week our application was approved and our cashflow problems had been solved," he said.



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Do You Need Working Capital Now?

With the downturn in the economy and an uncertain future ahead of us, working capital management and cashflow will become the biggest challenge many businesses will face over the next year.

With traditional sources of finance drying up, where should business owners look next to continue to survive in 2009?

Traditional overdraft facilities have always had their downfalls including multiple fees and restrictive covenants. Banks often focus on a business's past instead of its future. This is why traditional lending criterion are not always the best way of assessing potential viability.

Credit options for all businesses are more important in challenging times than when times were good. Alternatives need to be planned for, not just when a business is facing

a buyout or acquisition or any other headline requirement.

The right financial planning is vital for any business anticipating cashflow problems to help with day-to-day cash problems such as payroll stress or replacing equipment.

On the flipside, if a business is fortunate enough to come into a sudden business opportunity, sympathetic lending is equally as important and needs to be planned for.

An effective alternative to traditional bank overdrafts is Invoice Discounting. Invoice Discounting can be an excellent way to avoid immediate cashflow problems.

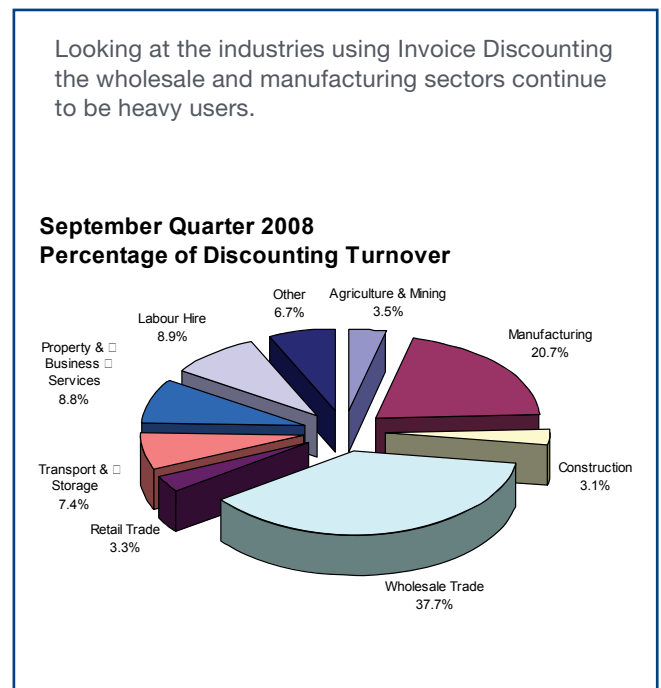
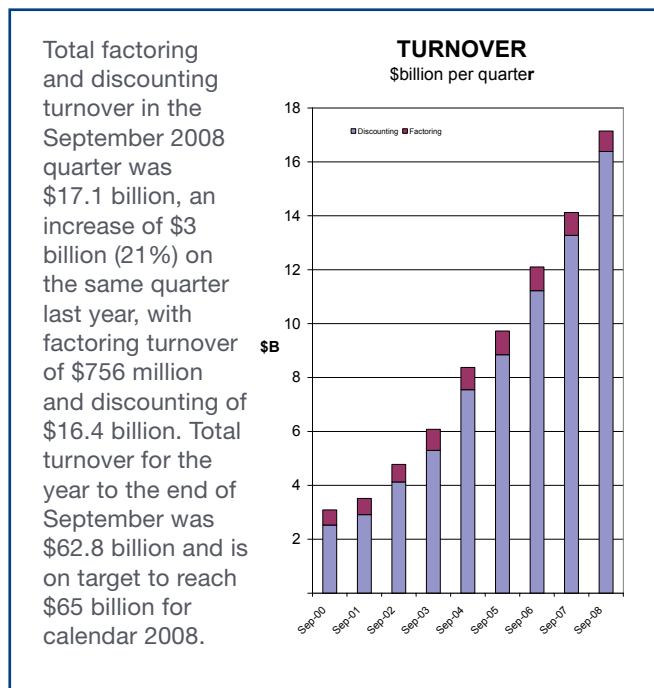
It should always be considered with a whole range of debt advice to achieve the right balance between flexibility and cost to ensure you manage debt at the best value over time.

For further information on Invoice Discounting please contact your nearest Cash Resources office.



Invoice Discounting continues to grow in tough economic times

Source: IFD, September 2008



Cash Resources provides Spark to Electrical Contractor

A Melbourne based electrical contractor recently turned to Cash Resources to fund a large contract. The Contractor specialises in supplying and installing “Smart Boards” in new homes.

The business has been in operation for five years and is steadily growing. Their clients included three small to medium volume builders, which provided over 60 percent of their total revenue. While the work was regular, they found they were taking longer and longer to get paid.

As the owner of the business explained, “When we originally started we were being paid 14 days from completion, however as the volume of work started to increase, this drifted to 45 and often up to 60 days.”

“We had nine electricians who were paid weekly, plus our board supplier strictly enforcing 30 day terms. As a result, we suffered a serious cashflow crisis,” he said.

“We approached our bank to arrange a modest overdraft facility, however, this proved to be insufficient to ease our cashflow pressure. The volume of work increased and we constantly seemed



to be chasing money and stringing out our creditors,” he said.

The directors juggled cashflow for approximately four months, however when they were awarded a contract with a larger builder, something had to

be done. Additional staff had to be hired and the volume of boards purchased increased.

Their bank was unsympathetic to their pleas – they had provided all the

security they could on their original overdraft facility.

“It was a frustrating time for us, our business was booming, we had a lot of interest in our product and services, yet we were grinding to a halt through lack of cashflow,” the owner said.

It was late last year, a friend of the owner suggested they contact Cash Resources Australia. They had never heard of them or Invoice Discounting for that matter.

“We were amazed at how quickly Cash Resources moved. Within a week, we had an Invoice Discounting Facility in place,” the owner said.

“Invoice Discounting is perfect for us. The flexibility of Cash Resources service to include selected invoices in the facility was attractive as we still had a number of customers who paid within 14 days.”

“The Invoice Discounting package from Cash Resources has not only enabled us to survive a dicey situation but it has allowed us to concentrate on our core business.”

Staff Profile: Ivana Loiacono



Ivana Loiacono – WA State Manager

Ivana joined Cash Resources in July 2008 and comes from a distinguished background managing financial sales and distribution within the financial sector. Ivana is a strong believer in building business the old fashioned way – one step at a time.

Her previous role as Group Manager (Australia and New Zealand) - Reverse Mortgages and Financial Planners for the Bluestone Group enabled Ivana to develop an

understanding of opportunities to grow market share within the Australian Mortgage Market.

Ivana has an extensive work history including ANZ, BankWest and St George Bank and brings a thorough understanding of the Western Australian banking and finance community. She is enjoying her role assisting Western Australia businesses overcome cashflow difficulties.

Successful Business Partnership Hints



Business partnerships take on a variety of forms. The current business market may be tough but from hard times come innovation and opportunity. Going into business with a partner can be rewarding and make business easier than going solo. Business partnerships may be a long term formal legal commitment or a simple short term venture to test a market concept. The same principles apply in all cases.

Use the following strategies for a partnership that starts strong and stays strong.

1 – Develop a shared Vision and Mission

As in any business, it's critical for the partners to define the Vision and Mission of the venture as the very first step. If all brains aren't going in the same direction in the same way, problems are bound to arise.

The motives for each partner can be different. The overall objectives and methods, however, need to be the same.

2 - Ensure each partner's needs and expectations are addressed

Each person in the partnership has his own reasons for being in the partnership. Sometimes people seek a partner for capital, sometimes for expertise, sometimes for connections. These are not always expressed, yet they remain as an underlying expectation. If the expectation isn't met, the relationship can become strained.

Because each person's expertise, motivation and personality are different, it's important to have this discussion before anything is committed contractually.

3 - Identify and utilize the strengths of each partner

Because partners join forces for a variety of reasons and expectations, sometimes the strengths of each individual may be overlooked. The most obvious strengths will probably be recognized, however, underlying strengths, when brought out can often make a big difference in long term motivation, commitment and success.

4 - Support the partnership's limitations

In an effort to save money, little things often pile up in areas where partners have neither expertise nor interest. Over time, these can literally sink your business. Limitations can be in any area: strategy, product/service development, marketing and sales, personnel and operations management, financial management and administrative. Wherever they are

it's important to identify them as early as possible and have a plan to manage them so they don't get out of hand.

5 - Set company and individual goals

The ideal way for partners to approach goals is to start with goals for the company, then each create goals for themselves. Individual goals should support the company goals. Goals should measure and support expectations. Writing these is especially important for partners.

6 - Handle disagreements, disappointments and frustrations early

As in any type of partnership, disagreements will happen. Handling them effectively is the key to keeping the relationship on an even keel and the partnership in good order. Don't let bad feelings build and fester over time. Make it a rule that each can approach the other when something needs to be addressed.

7 - Define job roles for each partner, including accountability

Do you and your partner have written job roles? If not you may be operating under false assumptions. Job roles look a lot like job descriptions in that they carry the connotation: "responsible for" with a list of tasks and outcomes. Lack of clarity around job roles is a major source of frustration and disappointment in many partnerships.

Follow these simple tips and you'll have a solid platform for a successful partnership and a strong and profitable business.

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