

Newsletter

BALANCE



Cash Resources brings Web Business online

When a Melbourne website design company commenced trading five years ago, its biggest hurdle was a lack of capital to kick-start the business.

One of the most common problems facing small businesses in the creative industry is cashflow or lack of it. Many find themselves financing the work they do on behalf of their clients upfront, and are then left waiting for payment after the project is complete. With some projects this can take up to six months or longer.

Like all start-ups it needed to raise capital quickly to get the business off the ground. The clients were there, but the company was short of funds required to get the ball rolling, and was unable to convince banks to lend it money.

What further compounded the situation was that some of the services provided by the company were outsourced, for example programmers, so it was vital that they had a good

cashflow so suppliers could be paid in a timely fashion.

“The Business almost faltered before it got going”, one of the directors said. “We had a number of projects lined up, one in particular was a larger site for a government department. We had recruited staff but simply couldn’t

raise the working capital,” he said.

“Fortunately, we were recommended to Cash Resources by our accountant. When we met with

their consultant we were amazed that we hadn’t heard of Invoice Discounting before. Within five days we had our application approved and we could commence business with the peace of mind that we could comfortably meet all our obligations,” he said.

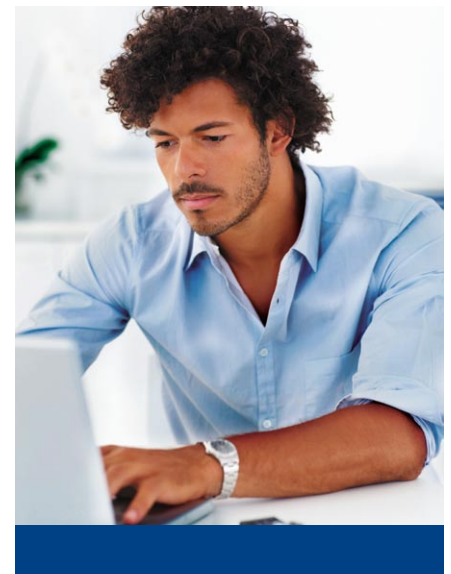
In five years the business has grown rapidly and they now employ a team of sixteen designers, programmers and their own SEO specialists. Turnover has increased over 10 fold on the first year and we now have two people located in Sydney.

The company still uses Cash Resources debtor finance “We find it is so flexible. You can be selective on what invoices you choose to use the facility. There are no long term contracts, no minimum volumes, its confidential and really suits our business.”

“Cash Resources understands our business. They have been extremely supportive.”

“Importantly, it allows us to concentrate on what we do best... building websites,” he said.

“Cash Resources understands our business. They have been extremely supportive.”



This Issue

- A smarter funding strategy for small to medium sized businesses
- Working Capital Mistakes You Should Not Make
- Cash Resources Reopens Doors for Manufacturer
- 5 Tips on Conserving Capital
- Cash Resources staff reach milestone
- If pain persists, see your company doctor



A smarter funding strategy for small to medium sized businesses

The term invoice discounting or debtor finance simply stands for the purchase of a company's accounts receivables at a discount. Any business that generates invoices can sell all or some of their receivables and receive an immediate advance of cash.

Converting invoices into cash is an emerging trend as more and more businesses are discovering debtor finance as a tool for capitalising their growth. 80% of small businesses never make it to their 2nd year because of cashflow problems. Debtor finance is not a loan, but a discounted purchase of invoices.

The advantage for small business is that they are receiving their money within days from a funding source instead of within weeks or months from their customer.



Waiting 30, 45, or 60 days for customers to pay their invoices is in essence extending them a free line of credit and for many businesses this creates a serious gap between the time a sale is made and the time a customer pays. Debtor finance allows a company to convert these dormant

assets into working capital that can give them the funds they need to meet payroll, pay vendors, take on new clients, fill incoming orders and pay other bills.

Unlike a bank loan, debtor finance relies on the strength of its customers more than the strength of the business itself. Therefore, debtor finance can be a tremendous funding opportunity for smaller businesses that although have a profitable business, may lack the assets and credit history to secure traditional bank financing.

When debtor finance is used strategically it can be a very effective strategy for small to mid-size businesses.

For further information on how you can increase your cashflow, contact your nearest Cash Resources office.

Working Capital Mistakes You Should Not Make

If you own a sole proprietorship any debt your business carries will likely affect your personal finances and credit rating. And even if you are incorporated or protected in some other way from your business' debt, unless you borrow money in the name of the business you could still be liable for its debt if you are a co-signer.

But even if you are fortunate enough to be protected from your business debts, remember that any personal funds you invest into your business carry the same risks as for any other investor.

If no one else will invest in your troubled business you might not want to as well. Instead, look harder at ways to cut costs to minimise the need for you to infuse your business with your personal funds.

Retirement Savings are for Retirement

If you are a long way from retirement, you might be considering cashing in some of your retirement savings or

other investments. Before doing this consider the tax consequences now and if you do not replace these funds you will suffer years down the road.

Cashing in Other Investments to Invest in Your Business is Risky

Cashing in your investments is a really bad idea. The stock market has not

recovered and you have probably already lost money.

To cash things in now to fund a struggling business is even riskier than investing in the stock market!



Cash Resources Reopens Doors for Manufacturer

Earlier this year a Queensland specialty door and window manufacturer found itself in financial difficulty.

There were two divisions, a manufacturing division that was very profitable and a wholesale/retail division that unfortunately was struggling. As a result, their banker placed the company in administration.

Two key managers recognised the potential of the manufacturing arm and expressed an interest in buying it from the receivers. In the current economic conditions, the banks were unwilling to fund them.

The receivers were looking for a quick sale and the managers were fortunate enough to raise sufficient 'family money' to purchase the business. However, the big problem was they had no funds for working capital.

They had established distribution of their products through a national hardware chain and had built solid relationships with a number of prominent builders.

With twelve staff and commitments to timber and fitting suppliers, it was important to have adequate working capital to grow the business.

That's where Cash Resources were able to step in. Using a debtor finance facility, they were able to access funds, usually tied up in debtors, to meet their salaries, suppliers and other commitments.

According to one of the new owners, "It was pretty scary stuff starting a new business in such gloomy economic conditions. However, it was forced on us in a way, we almost felt responsible for the other staff".

"Cash Resources were a saviour for us, the debtor finance facility is all we need to grow our business."

"After two months trading, we are really optimistic about the future. Sales are good and

staff are all working hard to make sure we succeed", he said.

"Cash Resources were a saviour for us, the debtor finance facility is all we need to grow our business. It is flexible, confidential and inexpensive and I am really surprised that more companies are not using this type of service."



Five Tips on Conserving Capital

1. Determine your primary business, number of units sold, number of customers, average orders, hours billed etc. Know what drives your business.
2. Pricing should be determined by the sum of product costs, service costs, image of the business, direct and indirect costs and a reasonable profit.
3. Conserve capital. Do not commit cash or capital until necessary. Don't buy services before you need them.
4. Lease instead of buy when it makes sense.
5. Look for office equipment that can do double duty, for example a fax machine that can also make copies.

Cash Resources staff reach another milestone

Four Cash Resources staff recently completed 10 years service with the company. This is a rarity in times where the average length of employment is under two years.

Congratulations to John Saliba from our Sydney Office, Joan Parker from our Brisbane Office, Marilena Mastrangelo and Mark Butler in our Melbourne Office.

