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WHK at a glance

- In the top 220 listed companies in Australia.
- 5th largest Accounting Group in Australia (revenue).
- 5th largest Accounting Group in New Zealand (revenue).
- 2nd largest independent distributor of Financial Planning Advice (FUA).
- \$600m Market Capitalisation.
- 21 Accounting & Financial Services Businesses in Australia & NZ.

OUR SERVICES

- Accounting
- Audit & Assurance
- Business Advisory
- Corporate Advisory
- Estate Planning
- Financial Planning
- General Insurance
- Lending & Finance
- Risk Insurance
- Self Managed Superannuation
- Taxation Consulting



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STRAIGHT TALK

The 10 absolutely 'Must-Follow' Cash Flow Rules

When it comes to properly managing the cash flow of your business, the best way to move from where you are now to where you want to be is to get a clear picture in your mind of the benefits you will enjoy as you take control of your cash flow.

The benefits include:

- Increasing the likelihood of your business never running out of cash;
- Eliminating the constant worry associated with not knowing what your cash balance is right now or what you expect it to be in the near future;
- Improved relationships with your vendors as they will no longer be banging on your door demanding that their overdue invoices be paid immediately;
- The ability to see cash flow problems long before they happen.

In short, you free yourself to focus your unique talents and abilities on growing your business rather than fighting the constant cash flow fires.

Here are 10 cash flow rules you can implement immediately that will transform the way you manage your business from this point forward. These rules are the keys to creating the kind of financially successful business you deserve.

1. Never Run out of Cash:

Running out of cash is the definition of failure in business. Make the commitment to do what it takes so it does not happen to you;

2. Cash is King:

It's important to recognize that cash is what keeps your business alive. Manage it with the care and attention it deserves. It's very unforgiving if you don't. Remember, Cash Is King, because No Cash = No Business;

3. Know the Cash Balance Right Now:

What is your cash balance right now? It's absolutely critical that you know exactly what your cash balance is at any one time. Even the most intelligent and experienced person will fail if they are making business decisions using inaccurate or incomplete cash balances. This is the reason why business failures are not limited to amateurs or people new to the business world;

4. Do Today's Work Today.

The key to keeping an accurate cash balance in your accounting system is to do today's work today. When you do this, you will have the numbers you need - when you need them;

5. Either You Do the Work or Have Someone Else Do It.

Here is a simple rule to follow to make sure you have an accurate cash balance on your books. You do the work or have someone else do it. Those are the only two choices you have. The work must be done. It's like mowing the lawn. You can't just ignore it. Someone has to do it. That means either you do it or have someone else do it;

6. Don't Manage From the Bank Balance.

The bank balance and the cash balance are two different animals. Rarely will the two ever be the same. Don't make the mistake of confusing them. It's futile (and frustrating) to attempt to manage your cash flow using the bank balance. It's a prescription for failure. You reconcile your bank balance. You don't manage from it;

7. Know What You Expect the Cash Balance to be Six Months From Now.

What do you expect your cash balance to be six months from now? This one question will transform the way you manage your business.

This question really gets to the heart of whether you are managing your business or whether your business is managing you;

8. Cash Flow Problems Don't "Just Happen".

You would be shocked and amazed at the number of businesses that fail because the owner did not see a cash flow problem in time to do something about it. The key is to always be able to answer the question - what do I expect my cash balance to be six months from now?;

9. You Absolutely, Positively Must Have Cash Flow Projections.

Cash flow projections are the key to making wise and profitable business decisions. They give you the answer to the all-important question from Rule # 7. It's impossible to run your business properly without them;

10. Eliminate Your Cash Flow Worries So You Are Free to Do What You Do Best - Taking Care of Customers and Making More Money.

This is the real key to your success in business. The reason you have to make sure you have the cash flow of your business under control is so you are free to focus all your time and talents where you can make the most difference to your business.

When you have your cash flow under control, you are free from worry, doubt and concern. You have the cash flow information you need to make sure that everything you do each day in your business is clearly focused on making improvements.

You have the information you need to measure your progress using the amount of cash you generate (and keep) for yourself and your business, as your ultimate financial measurement.

Beat the Business Budgeting Blues!

By Steve Stone, WHK TCM-Smith

Preparation of annual budgets for your business is imperative for its ongoing success, but the task can sometimes prove to be an arduous and time consuming one.

As the new financial year is upon us business owners need to set their business goals and budgets for this new year.

These days there are some very powerful budgeting, forecasting and financial modelling software programs available which are far more effective than the old excel spreadsheet.

Some of the specialised software programs are available on the open market and are capable of predicting not only the business profit on a month by month basis but can also predict the balance sheet position while showing when the peaks and troughs in cash-flow might be experienced.

Budgeting is an essential part of maximising businesses performance. The benefits of setting a well planned and thought-out budget are considerable as budgeting can;



- assist the business to anticipate future events and to allow allocation of appropriate resources to specific projects;
- allow the business to monitor its performance against agreed targets;
- identify problems before they arise – such as the need to raise finance or plan for cash flow shortfalls;
- hold the business owner or manager accountable thus improving the decision making process;
- act as a stimulus to work hard and maintain an enthusiastic attitude.

WHK Group assist many of their business clients to take advantage of the modern software's capabilities of regularly monitoring results against those budgets as the year progresses. This enables all business owners to check progress and update their expectations as situations change.

So take note business owners! There are some software packages out there that can help beat the business budgeting blues.

Along with the increased cost of borrowings for lower credit quality companies and individuals, they will also face a reduced availability of credit.

This could also mean problems for these borrowers.

This uncertainty has come about principally as a knee jerk reaction to some problems in the US housing market.

Across the world, financiers who a few weeks ago were happy to lend or invest their clients' money in what are basically low quality housing loans are running scared and have turned off the finance taps.



As Mark Twain said:

"A banker is a fellow who lends you his umbrella when the sun is shining and wants it back the minute it begins to rain."

The current problems are due to previous poor lending and credit practices, not because the world's monetary authorities wanted to further tighten monetary and credit conditions.

Fundamentally, the world economy is in very good shape. Economic growth is strong and rising almost in every region. In its late July update of its April World Economic Outlook, the International Monetary Fund raised its outlook for world economic growth in 2008 from 4.9% to 5.2%.

China and India, countries increasingly important to Australia and Australian companies are expected to grow 9 to 11% in 2007 and 2008.

There are problems in the US housing industry with the impact of poor lending practices up until late 2006 and falling prices in some regions.

The direct impact on the broader US economy has to be kept in context, however. The loans experiencing the most difficulty, the so called "subprime" mortgages with adjustable interest rates make up less than 10% of US mortgages outstanding, with perhaps 10% of those ending in default.

These problems appear to be focussed in a relatively small number of regions in the US. Problem loans in the other 90% of US mortgages continue to run around 1%.

Further, even with home buyer confidence likely to continue to decline and see further falls in home building activity, this process has been in place since end 2005 and the US economy has continued to grow.

Investment in housing in the US has fallen continuously for the last eighteen months while the economy grew at a 3.4% annual rate before inflation in the June quarter.

Business investment, exports and spending on services generated the growth.

We continue to see the US economy and companies riding out this storm. The companies continue to be highly profitable and big net cash flow generators. The extent of this cash creation is shown by non-financial businesses in 2006 spending a record \$US1,300 billion on dividends and buying back their shares in 2006.

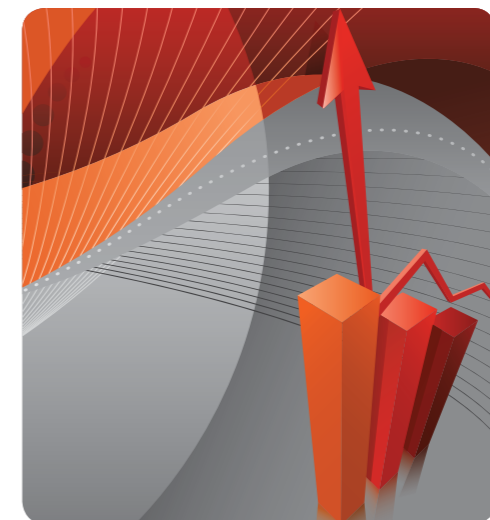
That is equivalent to around 10% of the US economy. At the same time they invested over \$US 1,000 billion in plant and equipment while their net financial debt rose only \$US10 billion. The first half of 2007 seems to be continuing that trend.

Over the year to July 2007, US private non-farm employment grew 1.4% or 1.6 million, despite losing 300,000 jobs in construction.

These indicators give us confidence the US economy overall can weather continued weakness in the housing sector without a recession in 2008.

There is always the risk further weakness in the US housing market and a faster reduction in credit availability from private financiers could see a major cut in business and consumer confidence. This in turn could flow through to weak consumer spending and therefore falling profits, employment and investment.

We see that as a low probability and we believe the US Federal Reserve Board, the equivalent of our Reserve Bank, will manage interest rates and credit to keep the US economy growing. That in turn will see US and Australian shares recover. It might just take a few more weeks or even months.



In Australia, companies also continue to be highly profitable. The latest reporting by listed companies for the half year to June show at least half beating analysts expectations and earning per share growth generally over 10%.

We continue to hold to our forecast of the All Ordinaries index reaching 6,700 by end 2007 on the basis of the current and expected growth in earnings, as shown in the chart opposite.

There may be good buying opportunities in the weeks ahead, but with investor sentiment likely to remain fickle, patience will be a virtue!

Speak to your WHK financial adviser to find out more.

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Market Movements

You will be aware of the sharp moves in share prices in Australia and overseas in recent weeks.

We expect to see 1-2% moves per day continue in Australian share prices, both up and down, for at least the next few weeks. This is as markets here and overseas adjust to higher borrowing costs and related concerns about the impact on economic growth and company profits.

It is important to understand that, as your advisers, we see the current downturn in world share markets as bringing buying opportunities, not the start of a global recession.

There will be strains on companies and investments which could well last for the next few months.

This is as markets adjust to higher borrowing costs reflecting an increased, and likely more reasonable, charge for credit risk.

