

The ROUND ROOM

insights from Australia's most exclusive
entrepreneurs, business leaders & experts

VOL. 2 FINANCE

SIMON RUSH

BRUCE COPLAND

GREGORY WILL

+

**UNBOTTLING THE UK, US
AND CANADA ON A BUDGET**

THE ALCHEMY OF FUNDING

PRINT + ONLINE VERSIONS AVAILABLE

CREATED BY **KIM MEI-LI DENNIS**

THE ROUND ROOM





A NOTE FROM THE PUBLISHER

The information in this publication is of a general nature only and must not be relied on as a substitute for professional tailored advice. The publisher recommends that you obtain independent advice that takes into account your particular circumstances.

The information in this publication consists of a variety of opinions, views and perspectives from business people. This information does not constitute "advice" but is merely intended to encourage lateral thinking and problem solving with respect to common business issues.

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Featuring insights from Jodie Fox, Co-Founder & Director of Fashion of Shoes of Prey, Victor Perton, Past Commissioner to the Americas for the State of Victoria and Mick Liubinskas, Co-Founder of Pollenizer.

Louise Curtis, Managing Director of LollyPots, explores “the next big thing” online. Dale Gillham, Executive Director of Wealth Within, explores viral strategies for generating leads.



THE ROUND ROOM VOL. 4 SALES & MARKETING

Featuring insights from Luke Baylis, Managing Director & Co-Founder of SumoSalad, Scott Thompson, Former Director of UK Regions Marketing of PwC, United Kingdom and Andrew Wynne, CEO & Head of Strategy of US Sydney.

Jed Kram, Managing Director of Got Game, explores strategies for selling business to business (B2B). Vanessa Garrard, Founder & Director of E3 Style, explores strategies for launching internationally, specifically into the UK and China.



THE ROUND ROOM VOL. 5 STRATEGIC ALLIANCES, JOINT VENTURES & PARTNERSHIPS

Featuring insights from Richard Noon, Former CEO & Current Director of Finance & Technology of Webjet, Siimon Reynolds, Managing Director of Moon Corporation and Sharon Williams, CEO of Taurus Marketing.

Gidon Rosing, Head of Global Business Development at Global Franchise Partners, explores how to choose strategic partners. John McCluskey, Managing Director of Whizdom, explores whether strategic alliances are the best way to progress his business.

For more information, see www.roundroom.com.au

FOREWORD



I AM REALLY EXCITED ABOUT THIS FINANCE EDITION OF THE Round Room.

The content is thoughtful, insightful and based on real life experiences. It makes the topic of "finance" far more interesting than you would ordinarily expect.

Many entrepreneurs would immediately be turned off reading a book dedicated to "finance". However, this book is not like any other "finance" book. Yes, we have tried to make it look pretty with lots of photos and arty text. But more importantly, the information in it is "real" - it's about real people, real situations and real experiences. And to top it all off, it's actually really useful!

There are many myths and misunderstandings about finance in business. There's a lot of talk about how good it might be to get a grant or cash injection. There is also a general misconception that it costs a lot of money to expand your business overseas. Our Advisory Board sets this straight.

I am a big fan of Bruce's comments regarding the need to have someone on the ground when expanding overseas. I also appreciate his common sense suggestion that one source of capital is your own expenditure.

Simon's insights about the pitfalls of raising funds through government grants and equity are honest and thought provoking. His thoughts on targeting based on "behaviour" also challenge traditional marketing concepts.

As for Greg, where do I start? Greg spills out a myriad of detailed tips and strategies for raising funds. My favourite is about the importance of "smart money" - finding investors who not only provide cash, but offer skill sets, interest and advice needed by the business.

I hope you enjoy and "profit" from this edition of The Round Room. I'm sure you will find something in here that makes you look at your finances and opportunities in a different way. I'm also confident that you will not only learn a thing or two, but may even find it entertaining.

Yours sincerely

Kim Mei-Li Dennis

Chair - The Round Room

- ✚ Members of the Round Room nominated **cash flow, financial management, raising capital & funding, debt collection, grants & tax** as top issues for them and their business.
- ✚ Members of the Round Room nominated **entrepreneurs, business leaders and experts** who they believed could advise them on managing these issues.
- ✚ An entrepreneur, business leader and expert, each with **different perspectives** and **real experience** in finance, were invited to advise our Members. They were appointed to The Round Room Advisory Board 2011.
- ✚ Entrepreneurs submitted applications to discuss their **particular finance issue** with our advisory board.
- ✚ Two entrepreneurs were selected to participate in an **online meeting** with our advisory board. They were appointed as Round Room Entrepreneurs to Watch 2011.
- ✚ Entrepreneurs were selected based on the likelihood that their business and particular finance issue would result in **interesting conversation** and would generate **deep, thoughtful and high level insights** which would benefit the membership as a whole.
- ✚ The conversation from the online meeting between the entrepreneurs and advisors was used to **create this publication**.

INTRODUCTION

We invited Simon Rush, Bruce Copland and Gregory Will to form a quasi-advisory board to help growing businesses successfully deal with financial issues. The board saw it as a great opportunity to help a business in need, to give something back to the business community and as an interesting intellectual challenge.

Rebecca Derrington and Malcolm Lack were selected as our Entrepreneurs to Watch 2011. Both have impressive businesses and fascinating finance challenges and opportunities. Rebecca is strategising about how to expand her online subscription service into the UK, US and Canadian markets on a limited budget. Malcolm is exploring options for his beverage manufacturing business to raise funds and access government grants.

We were intrigued to hear what would transpire when we put these five interesting, experienced and successful people in "The Round Room" and asked them to solve a real business problem. What eventuated was an in depth and intense conversation full of gems of wisdom, strategies, tips, warnings and recommendations, flavoured with a diverse array of opinions, views and perspectives.

The Round Room documents the highlights of this conversation with the hope that you may gain some clarity, direction or affirmation in your own business, from the insights shared in this high powered get together.



“THE COMMERCIAL OPTIONS FOR FUNDING
TEND TO BE HIGHLY CONDITIONAL... SO THERE
IS AN EXPECTATION OF A RETURN ON THAT, AN
EXPECTATION OF EQUITY IN THE BUSINESS OR AN
EXPECTATION OF CONTROL AND INPUT...
SOME OF WHICH A BUSINESS SUCH AS YOURS
MIGHT FIND INTRUSIVE AND UNWELCOME
VERSUS HELPFUL AND INTERESTING. ”

SIMON RUSH

PRINCIPAL
RAZOR MEDIA

Entrepreneurial. Considered. Surprising.

Simon Rush has worked in media for over 20 years. Simon launched Optimedia in Australia/NZ and worked with Qantas (launching the “I still call Australia home” campaign), Telstra (launching “Make Life Easier”), Toyota, Lion Nathan, Nestle/LOreal, Fairfax and 20th Century Fox, growing Optimedia into a \$500m business. Simon founded Razor Media in 2003, a recognized innovator in its field that has won industry awards every year since its inception.

Facts

- Razor Media was the Winner of the 2009 “Clothing/ Cosmetics & Retail” Award at the MFA Awards for its “Creating New Content Platforms for Nike Football” campaign.
- Razor Media's clients include Nike, SBS, Colonial First State, EFTPOS and Stuart Alexander.
- Since its launch, Razor Media has grown to 23 staff.

Entrepreneur

Areas of Expertise

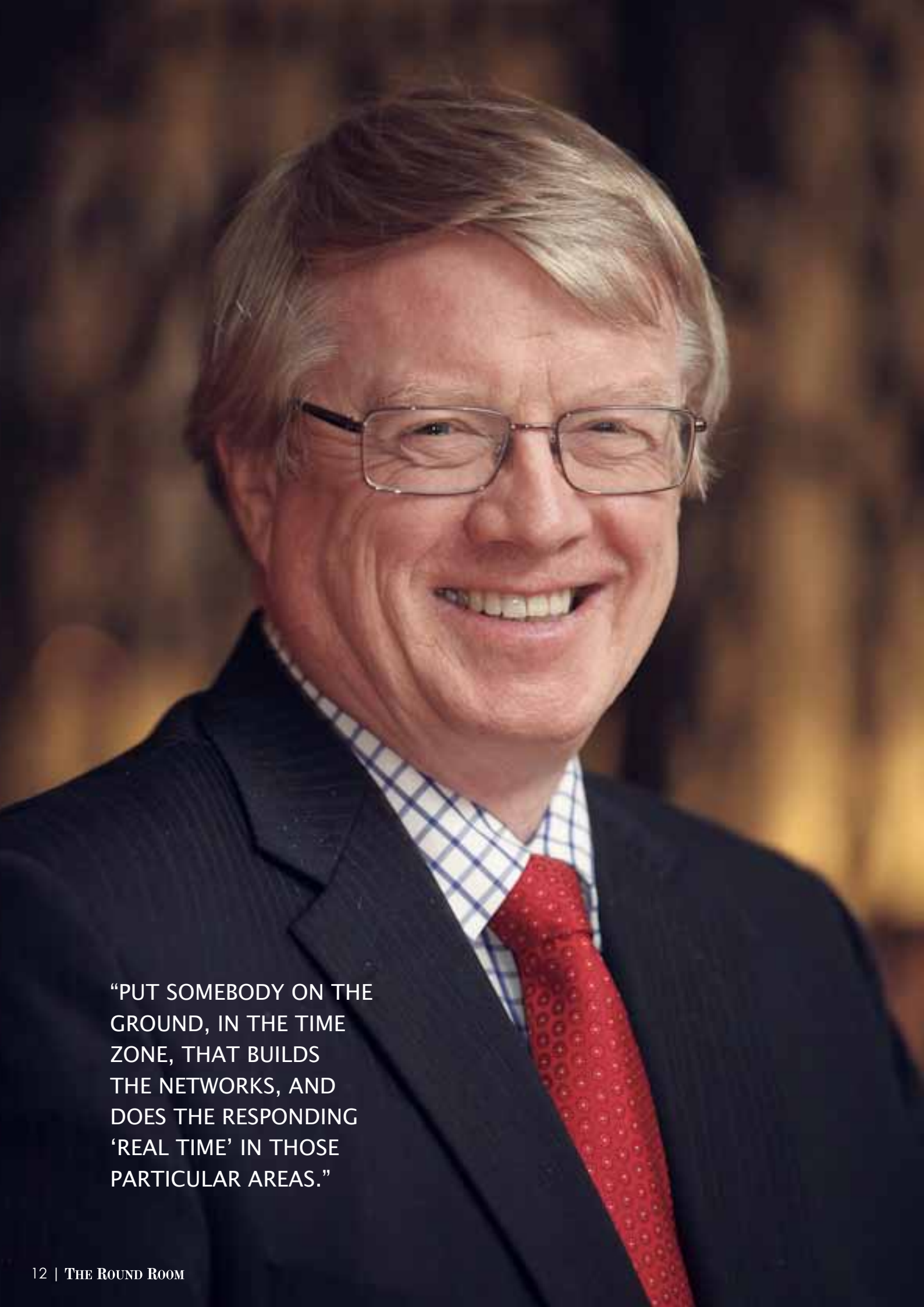
Business Management
Business Planning & Strategy
Marketing: Planning & Strategy
Marketing: Product/Service
Development
Marketing: Advertising/PR/
Promotions/Publicity
Social Media

Industry Experience

Advertising
Art & Design
IT & Telecommunications
Media & Entertainment
Retail & Consumer Products
Transport & Logistics

Geographic Expertise

Australia
New Zealand
Singapore



“PUT SOMEBODY ON THE GROUND, IN THE TIME ZONE, THAT BUILDS THE NETWORKS, AND DOES THE RESPONDING ‘REAL TIME’ IN THOSE PARTICULAR AREAS.”

BRUCE COPLAND

DIRECTOR
TOGA GROUP

Pragmatic. Positive. Penetrating.

Bruce is a hotelier and accountant with many years experience spanning Bermuda, Cayman, Mexico, and Australia. Graduating from a Scottish University, his career includes managing pub groups, resorts, five star luxury hotels and other tourism and multiple outlet service operations. He led the SME consulting for Arthur Young in the Caribbean, implementing computer systems for many SMEs. Since 1986 in Australia, Bruce has managed, at a very senior level, companies such as Western Resorts, Quality Pacific, Country Comfort, Austotel and Toga Hospitality. Bruce was appointed as Director of the Toga Group in 2007 having been CEO of their Hospitality division for several years (Medina, Vibe and Travelodge brands). Bruce also directs McKenzie Scott & Associates providing business systems solutions to SMEs since 1987.

Facts

- Toga is one of Australia's leading hospitality groups with 6,700 keys under management across 52 hotels and apartment hotels in Australia, New Zealand, Germany, Denmark and Budapest.
- Toga Hospitality was awarded 2006 Accommodation Chain of the Year, 2006 Marketing Campaign of the Year and 2006 Best 3.5 Star Hotel presented at the HM Magazine Awards.
- Toga Hospitality operates Medina Apartment Hotels, Adina Apartment Hotels, Vibe Hotels and Travelodge Hotels around the world.

Business Leader

Areas of Expertise

Business Management
Business Planning & Strategy
Business Structure
Buying and Selling Businesses
Capital Raising/Funding
e-Business
Exit Strategies/Succession Planning
Financial Management
Franchising/Licensing/Distribution
Grants & Other Assistance
Intellectual Property
Marketing: Product/Service Development
Systems Development & Implementation
Technology

Industry Experience

Accounting
Administration
Call Centre/Customer Service
Construction
Operations
Real Estate & Property
Consultancy & Corporate Strategy
Hospitality & Tourism

Geographic Expertise

Bermuda
Cayman
Mexico
Australia
Scotland



“WHERE VENTURE CAPITAL HELPS IS NOT JUST THE MONEY, BUT ‘SMART MONEY’ – BEING THE SKILL SETS, INTERESTS AND ADVICE THAT THEY CAN BRING TO THE BUSINESS AND THAT THE BUSINESS NEEDS.”

GREGORY WILL

PARTNER

PWC PRIVATE CLIENTS

Commercial. Reliable. Relationship Driven.

Gregory Will is a Partner and National Head of Advisory for Middle Market Companies at PwC in Sydney. He has worked in professional practice for 18 years. Greg assists businesses with performance improvement, cost reduction, strategic design and implementation to increase growth and deliver sustainable and measurable business value. He has experience in business advisory, audit, tax and corporate finance in both Australia and abroad. Greg is media spokesman for PwC on private business issues and is the nominated representative on the firm's global Private Client committee. He commentates in national and local press on increasing business value and regularly appears on Sky Television's Business Channel as an authority on strategically growing businesses.

Facts

- PwC was recognised as Australia's leading Professional Services Firm (Revenue over \$200m) at the 2012 BRW Client Choice Awards.
- PwC was awarded 2008, 2009 and 2010 Audit Firm of the Year by CFO Magazine.
- PwC has offices in Africa, the Americas, Asia, Asia/Pacific, Europe and the Middle East.

Expert

Areas of Expertise

Growth Strategies

Business Planning & Strategy

Financial Management

Tax

Industry Experience

Retail & Consumer Products

Manufacturing/Operations

Healthcare & Medical

Geographic Expertise

Australia

UNBOTTLING THE UK, US AND CANADA ON A BUDGET



Rebecca Derrington, Founder of SourceBottle,
explores how to expand her business into the
UK, US & Canadian markets fast with limited funds.

SourceBottle is a free online subscription service that helps connect journalists and bloggers with sources so that they can get content for articles. It also helps businesses (and their public relations agencies) find opportunities to raise their profile and publicise their products in the media.

Finance Issue

Rebecca wishes to expand her business internationally, specifically in the UK, US and Canada. She has a unique struggle in that she has a chicken and egg issue – she needs sources to be registered with the service and then she needs the journalists to use the service, and vice versa. Consequently, Rebecca needs to build up sources (being business and public relations agencies) quickly when launching internationally. Rebecca wants to know how she can do this in the UK, US and Canadian markets with a limited budget.

Reasons for expanding to the UK, US & Canadian markets

- To grow the business so that there are prolific numbers of opportunities for businesses and public relations agencies.
- To provide a service that gives journalists and bloggers access to an enormous array of local and international sources across the world.
- To provide an opportunity for businesses to access promotional and publicity opportunities in other countries where they are trying to raise their profile.
- The business model itself is very scalable and there does not appear to be a service in the UK, US or Canadian markets that provides the same local opportunity at that same scale.

Business Vision

To offer the SourceBottle service in most English-speaking countries around the globe

Nature of Business

Online service that enables journalists and bloggers to locate sources to create content, and enables businesses and public relations agencies to find publicity opportunities

Location of Business

VIC

Number of Staff

1-5

Years of Trading

3 to 5 years

“I’VE RECEIVED REQUESTS FROM JOURNALISTS
ALL OVER THE WORLD FOR A SERVICE LIKE THIS
IN THEIR NECK OF THE WOODS. IT STARTED ME
THINKING ABOUT HOW SCALABLE THE BUSINESS
MODEL WAS. THE BACK END HAS BEEN DEVELOPED.
NOW IT’S JUST A QUESTION OF LAUNCHING
IT INTO THE MARKET.”





FISHING IN NEW MARKETS

Simon Rush from Razor Media explains to Rebecca Derrington how she can use fishing tactics to build her business in the UK, US and Canadian markets.

Part 1 – Fishing Tactics

REBECCA: How can I penetrate the UK, US and Canadian markets with a small budget?

SIMON: From what I can see you have got a really tightly defined target group in both sort of subsets to your business, in both journalists and bloggers. They are a fairly lucid motley collection. With journalists and PR agencies, both groups tend to be defined in where they go and what they do - so you know they

are fairly easy to find. Are your issues around finding them or are your issues around communicating to them?

IF YOU CAN USE THE ONE GROUP TO KIND OF FISH FOR THE OTHERS THAT WOULD BE IDEAL.

REBECCA: I think it's probably relatively easy to reach journalists and educate them of the fact that the service exists. It's more the end sources. I'm struggling on that front. I need to be able to communicate effectively to the end sources which in most cases are small to medium sized businesses and public relations consultancies.

SIMON: Certainly the public relations group are fairly well defined again through associations and that sort of thing, so picking them off shouldn't be that difficult. Have you thought about doing things like attributions, so perhaps offering incentives for a journalist to contribute sources to SourceBottle?

REBECCA: I'm not quite sure how I would execute that.

SIMON: I'm not sure how you would either, but it is a way of actually getting yourself known to potential sources from the journalists' end point rather than the beginning.

REBECCA: Yes. It's a great idea! Do you think journalists would be prepared to, or would they be reluctant to, alert their readers?

SIMON: They are certainly happy to make the attribution on their wire services. So I guess partially that would be about being a trust mark for local points of view. I understand your issue now a lot better which is around getting sources. If you can use the one group to kind of fish for the others that would be ideal.

Part 2 – Behavioural Targeting

REBECCA: I'm looking at options through social media, like advertising through Google and also Facebook

advertising and possibly LinkedIn advertising. I've found that Facebook advertising has been quite effective, particularly because you can target demographically and geographically so well. Is there another effective way?

SIMON: I've looked at doing some of the more exotic forms of targeting. If you are finding Facebook effective, there's a series of tactics and networks that you can use to do both behavioural and textual targeting. You can target people who have been active in particular forums. For example, if you are targeting industries and were, for instance, writing about retail, you can target people who have been on Harvey Norman websites in the last week. So it's just adding a layer of context to your target group.

REBECCA: Yes. So do you think as a cost effective measure, it's actually quite good in terms of cost per subscriber?

SIMON: I think you need to experiment with it to see whether Facebook advertising is more effective than the other forms. It's interesting to hear that you have found Facebook advertising effective. Certainly a lot of our clients haven't, although they weren't that proactive in it.

THERE'S A SERIES OF
TACTICS AND NETWORKS
THAT YOU CAN USE TO
DO BOTH BEHAVIOURAL
AND TEXTUAL
TARGETING. YOU CAN
TARGET PEOPLE WHO
HAVE BEEN ACTIVE
IN PARTICULAR FORUMS.

WITH JOURNALISTS AND PR
AGENCIES, BOTH GROUPS TEND TO
BE DEFINED IN WHERE THEY GO AND
WHAT THEY DO – SO YOU KNOW
THEY ARE FAIRLY EASY TO FIND.



GETTING IN ON THE GROUND



Bruce Copland from Toga Group provides insights to Rebecca Derrington on the realities of expanding into overseas markets.

Recognising the TIME DIFFERENCE

"You have got a **very significant time difference** and you very quickly discover in these situations that you can't run Australian businesses during business hours and do business successfully in that part of the world. You have to have a strategy that says **'I'm going to start waking up at midnight and finish at midday'.**"

Time SCALE

"I keep coming across people who think that **for some reason or other they will end up building the business differently overseas** to how they built it in Australia. You need to take yourself back to how you got yourself started here and say 'OK, I want to replicate that and alright maybe I'll be better at it and I'll maybe achieve it a little faster'. Our experience is, in fact, that the time scale is pretty much the same."

Absorbing the things AROUND YOU

"You forget how much knowledge of business and environment comes from the absorption of the things going on around about you in day to day life. If you don't have somebody doing that... **absorbing the newspapers and the press**, listening to the commentary, seeing and hearing public opinion on talkback radio, all those sorts of things... giving you information which we all take for granted in everyday business life, and absorbing it, you have to get somebody who can do that and can feed that information to you in a way that you can make good sense of it."

REPLICATING the business

"If you start it from scratch here, you are starting it from scratch there."

Whatever you did here that made you successful, and however you sourced it, is exactly how you should go about doing it over there."

ACCELERATING your promotion

"If you can provide something for them [Chambers of Commerce], **they may be prepared to accelerate the promotion of your services to members**. Typically, in the hotel industry, it's fairly obvious. We can make a meeting room space available to a Chamber of Commerce to come and have a meeting that exposes people to the product and at the same time it facilitates their service, thus creating something for those sorts of associations to allow them to function via your service.
That may be a way of being attractive."

INVESTING IN People on the Ground

"One of the things that we did in establishing businesses overseas was that **we did invest in people on the ground in the areas where** we wanted to be well in advance of actually being there. I know you are talking about a small budget, but I'm sure you may be able to find somebody of a like mind in those areas who can start to build those networks in the time zones that you are talking about. It's extremely important."



GETTING KNOWN



Gregory Will from PwC Private Clients suggests strategic and cost effective ways for Rebecca Derrington from SourceBottle to get known by her “business” target market overseas.

GET KNOWN IN YOUR TARGET MARKET

Make sure that you are known in your target market.
Online social media is the cheapest way to do it.

USE ESTABLISHED BUSINESS GROUPS

Use business type groups like Chambers of Commerce, CEO interest groups and small business forums to reach "business" target markets.

GO INTO ENGLISH SPEAKING COUNTRIES

The benefit of going to English speaking countries such as the US, UK and Canada, is that they can see what you are doing straight away.

FIND SIMILAR BUSINESS FORUMS AROUND THE WORLD

Find similar business forums around the world to those in Australia.
They can help you tap into "business" target markets.
Make sure you are known through these channels.

MAKE YOURSELF KNOWN ON SOCIAL SITES

Put yourself out there on Facebook, LinkedIn and other social sites to make yourself known to your "business" target markets.
Once your opportunity is known it should draw businesses to you.

USE NON-ONLINE CHANNELS

The downside of using social sites to reach your target market is that you only reach businesses that are online.
So, use other forums such as Chambers of Commerce, to get to businesses that are not currently online.

USE YOUR OWN SERVICES

Even though your business may be the infrastructure that provides the channel, consider using your own services to publicise your business.

GET KNOWN IN YOUR TARGET MARKET'S PUBLICATIONS

Get known by going into publications and newspapers which your target market is reading. Your "business" target market can then put two and two together.

INSIGHTS

I have always said that the assets of
any company go home at night.

The most important assets are
the employees – the people.

They make a company or break a company.

Hire slowly. Fire quickly.

Sal Carrero, Former CEO, Chan & Naylor

CASHFLOW MANAGEMENT

provides the foundations to

creating & managing wealth.

Never spend more than you can afford or
borrow more that you can ever pay back.

**Paul Dunn, Principal Financial Planner,
Meridian Wealth Management**

Entrepreneurs are visionaries,

and in being so we often chase all the opportunities
that fly past our nose. Successful business is about working out
what you are really good at, and focusing on that rather than the
next big opportunity that might come by.

In short, become very good at one thing
before you move on.

Dale Gillham, Executive Director, Wealth Within Limited

It's not about what you earn,
it's what you do with it that counts.

The **more** you earn, the **more** you spend

and owning a home and paying off your debt
doesn't guarantee significant wealth.
Invest your money where it works the hardest
for the least amount of risk and live where you
emotionally want to hang out.

Chris Gray, CEO, Empire Property Portfolio

The cashflow of a business is critical,

whether supplying a product or providing a service.
Knowing the quality and standing of the customer
is very important when assessing the level of
credit (if any) to offer. Once an invoice is issued,

BEING PROACTIVE

in ensuring that there are no issues with either the
work done or goods provided before the due
payment date can save significant 'cashflow
pain' down the track when the invoice is due for
payment.

**Marc Hutchinson, State Manager NSW, QLD & WA,
Allianz Finance**

As a Banker and Consultant for over 20 years,
I have seen the power of the external perspective.

A FRESH SET OF EYES CAN CLARIFY THOUGHTS,

identify and mitigate risks and maximise opportunities.
The business owner's passion and knowledge of their
customers does the rest.

**Sian Lewis, General Manager Business Banking,
Westpac Banking Corporation**

THE ALCHEMY OF FUNDING



Malcolm Lack, Director of Alchemy Cordial Company,
discovers options for accessing funding, including government grants.

Alchemy Cordial Company manufactures and markets syrups, cordial and coffee syrups, and chai products. Alchemy's products can be found in Australia and internationally, including Paris, London, USA, Bali, Dubai, Singapore, New Zealand and Hong Kong. Malcolm Lack, the Director of Alchemy, has grown the business in the last 15 years to employing 20 people using self funding with the other directors. Alchemy accessed a local government grant for product development a few years ago.

Finance Issue

Malcolm wishes to grow the business in Australia and overseas. Malcolm would like to explore other funding options to help this growth. He is particularly interested in government grants due to the contacts that may be met through the process.

Reasons for looking at other funding options

- Alchemy has been self funded by Malcolm and the other directors. This brings with it limitations.
- With the GFC (global financial crisis), the availability of funding from standard institutions was just that little more difficult to get so Malcolm feels it is necessary to explore other options that he does not know as well.
- Malcolm is particularly interested in how to identify the grants available, how to find them and how to access them.

Business Vision

Global domination
in the beverage market

Nature of Business

Manufacturing of beverages

Location of Business

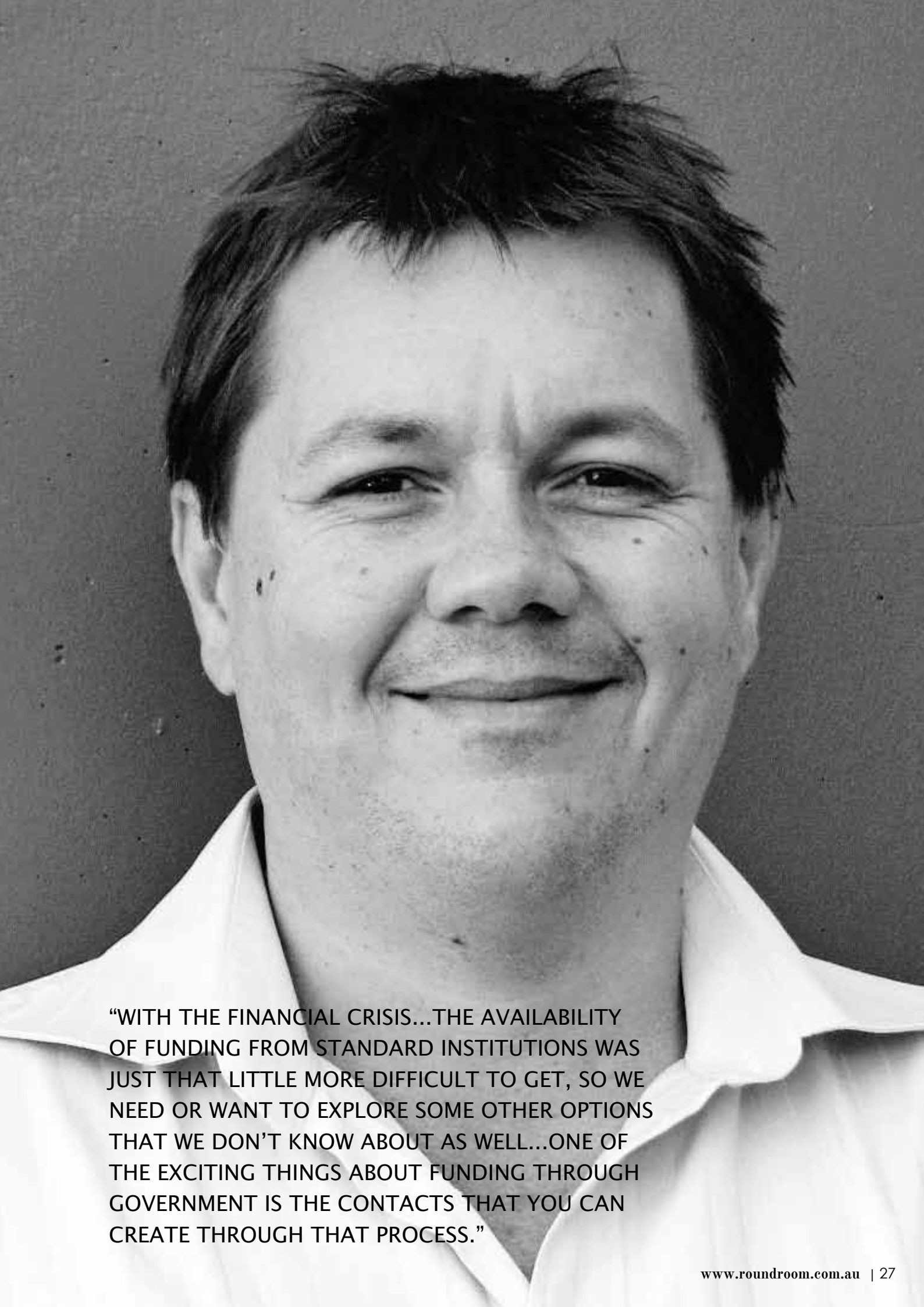
QLD

Number of Staff

16-30

Years of Trading

10-20 years



“WITH THE FINANCIAL CRISIS...THE AVAILABILITY OF FUNDING FROM STANDARD INSTITUTIONS WAS JUST THAT LITTLE MORE DIFFICULT TO GET, SO WE NEED OR WANT TO EXPLORE SOME OTHER OPTIONS THAT WE DON'T KNOW ABOUT AS WELL...ONE OF THE EXCITING THINGS ABOUT FUNDING THROUGH GOVERNMENT IS THE CONTACTS THAT YOU CAN CREATE THROUGH THAT PROCESS.”



FUNDING FICTIONS



Bruce Copland of Toga Group discusses the fictions surrounding equity, grants, expenditure and reporting with Malcolm Lack of Alchemy Cordial Company.

PART 1 – Equity, Grants & Expenditure

MALCOLM: What should I be thinking about in considering my funding options?

BRUCE: Well I'd like to pick on the control issue. If you are going to go after true equity, with that comes a genuine share in the business. If you have made the decision that you are not prepared to do that, and wish to retain that control, then that door is closed. So, don't waste your time going down that route.

NOWADAYS, ITS YOUR ABILITY TO BUILD A REPUTATION ON PREDICTING WHAT YOUR RESULTS ARE GOING TO BE 6, 12, 18 MONTHS INTO THE FUTURE, AND RELIABLY DELIVERING THOSE NUMBERS.

I'd also like to flag just one note of caution about a lot of the grant funding that's available. A lot of that grant funding

requires you to make the expenditure first, and then hope that you meet all the criteria to actually get it. Without denigrating any of the schemes, there are a number of these grant schemes

where there are finite amounts of money and more applications made against them which qualify. You get a diluted grant at the end of the day simply because the

scheme was too successful and had to be spread out to more people.

I'd also flag some of the complexity of complying and applying for some of these grants. It may justify getting an expert in those particular areas to do it for you. Quite often, those grants require auditors with particular expertise in the type of application that you're doing. It can well pay you to have somebody who is already in the business of auditing those sorts of grants to give you a few pointers before you start off down the route.

I'm wearing very much a small business hat here as the sort of businesses we are in are really collections of small businesses.

In those small businesses, the first thing we do, is always look to the expenditure that we are making to determine if all of it is really required and is worthwhile.

You need to look for other areas in your business where you may be leaking expenditure on things which one way or another you can change or do without, which has a double impact. You improve your profitability immediately and you may make it easier to attract other funding such as traditional bank cash flow lending. If you have a better proportion of profit in that cash flow, it's much easier and less expensive to attract those sorts of funds. One source of capital is your own expenditure. Stop making it in areas where you don't need to make it and apply it where you really want to make it work.

MALCOLM: That's an interesting perspective. That's excellent.

PART 2- Number Reflections & Predictions

MALCOLM: Is there anything else I should be thinking about?

BRUCE: One of the things which people get sensitive about is producing financial information and sharing that early on in these situations [raising funds].

One of the first things I look at when I'm looking at any small business is quality and regularity of their own internal financial and management reporting. If that's reliable, and is providing good indicators of what the business is doing and being thrown off as an automatic bi-product of the processes of the business without any great heartache, it gives me a lot of comfort. We

can start looking at the business in the knowledge that anything that we do, will be reflected quickly in those numbers.

It is quite different moving into a business that produces an annual set of accounts which has a surprise once a year. It is very hard to tell where we're going on the way through.

MALCOLM: So when it comes to funding an organisation, the business acumen of the key stakeholders is very important?

BRUCE: Yes. I'd add one more comment in there as well. Once upon a time, institutions and lenders were interested in historical results and what the business had been doing to the exclusion of almost anything else. Nowadays, it's your ability to build a reputation on predicting what your results are going to be 6, 12, 18 months into the future, and reliably delivering those numbers. That gives them tremendous comfort. It will make your negotiations significantly easier if you develop a track record of strong forecasting of what your results are going to be over the medium term horizon.



REALITY CHEQUE



Simon Rush from Razor Media warns Malcolm Lack about some of the unforeseen implications of funding arrangements.

Precaution on GRANTS

"I will also provide some warning or precaution on grants. Having been through the Export Marketing Development Grant (EDMG), **it does require that you spend the money upfront** and then hope for a return in the future. So it's nothing that can really be relied on. We tend to view it as a nice bonus if you get it, but don't expect any help whatsoever from the grants system."

Costs in TIME & ENERGY

"There are professionals and organisations that will help you or assist you in the development of your application for those grants. They can be enormously time consuming. The burden of compliance with the government's requirements for their submissions for grants can be such that we have walked away from them a number of times because who can be bothered actually putting them together. **It will cost us more in time and energy to do it than we are likely to receive in return.**"

Aligning goals with key SUPPLIERS

"I would say that one of the other benefits of non-traditional financing [from suppliers] is **getting suppliers invested in your success.**

So it's about an alignment of your goals with your key suppliers. Whilst it may not yield huge amounts financially, what it may do is get excellent results relationally. Through your relationships you can trade for all sorts of things which are valuable such as increasing stock distribution, widening your availability and displaying your point of sale materials. All of those things are of value to you."

Intrusive & Unwelcome vs Helpful & INTERESTING

"The commercial options for funding tend to be highly conditional... so there is an expectation of a return on that, an expectation of equity in the business or an expectation of control and input... some of which a business such as yours might find intrusive and unwelcome versus helpful and interesting. **But I think finding the right one can be a great way of doing it.**"

TRANSPARENCY

"The transparency of the business [is important for people looking to fund your organisation]. **You'd be able to look at it and get a picture of its underlying viability through the management accounts.**

I think that while the character of the business owner is important, what any institution would look at are the underlying things and they're the sorts of disciplines you need to have."



SMART MONEY



Gregory Will of PwC Private Clients outlines to Malcolm Lack of Alchemy Cordial Company a number of smart funding options and considerations.

DETERMINING THE BEST FUNDING OPTION

There are a number of opportunities out there. It comes down to how much you need, how strong the business is and what you are looking to spend the money on. If a financier is involved, it is relevant how much return they are going to get on their money.

USE GOVERNMENT GRANTS SMARTLY

Go to the website at www.ausindustry.gov.au to see the many different grants available. Grants are good in order to get that initial piece of funding to grow the business. However, they are not for an infinite period. They only go over a certain period of time. The government puts grants into place for certain industries or types of activities they are looking to stimulate. Look at grants in terms of not just the money, but what strings are attached to that grant. Do not make the business viable purely off the back of grant funding because that funding could stop at any point in time. Make sure there is a viable business there.

CONSIDER CASH FLOW FINANCING

Banks will fund off the back of the business through a cash flow type of lending. You don't need to bring in your house or other security but must have strong orders coming through, strong cash flow or a large build of stock.

SQUEEZE MORE OUT OF YOUR WORKING CAPITAL

Many businesses get tied up in working capital. They have cash tied up in stock or debtors, or are looking for cash to keep the business going or to make sure there is some left over to spend in other areas. Most financiers will look at your working capital mix to see if you could squeeze out a bit more. They will look at your stock turns, your debtor days, how quickly you are paying your creditors and your break-even point. This is to see how much money you use. It is also to know that if you did need money, what areas you would spend it on and how it could be done in different ways.

TAKE ADVANTAGE OF THE INVESTMENT ALLOWANCE

The government put in an investment allowance to try to stimulate businesses to buy additional plant and equipment and get accelerated depreciation on that equipment. You can get deductions a lot quicker in your business and free up cash if you take advantage of this.

RAISE CAPITAL THAT IS "SMART MONEY"

With venture capital, it comes down to what the current owners want out of the business. The money side of it is typically easier. Where venture capital helps is not just the money, but "smart money" - being the skill sets, interests and advice that they can bring to the business and that the business needs.

CONSIDER TOUCH POINTS IN YOUR BUSINESS

Look at the different touch points within your business, whether they are suppliers or clients. There may be some sort of commercial opportunity. For example, if a supplier can improve their business by improving yours, they may be interested in investing in your business. It could involve selling equity, obtaining extended credit terms or discounted products, or being more commercial (such as agreeing to put all purchases through one supplier in return for a drop in price).

CONSIDER LEASING, HIRING OR RENTING

Look at leasing, hiring or renting plant and equipment. This can defer that cash flow effect rather than having to pay for it all upfront.

CONSIDER FRANCHISING

With going into new areas or looking to expand your business, consider franchising as a way to fund the capital costs of growing your business.

INSIGHTS

From a corporate finance point of view,

GET THE CAPITAL STRUCTURE RIGHT

and get the alignment of interests right. If you are at a point where you want to list your company, there are advantages with keeping a whole chunk of it private. Make sure your employees, shareholders and yourself as a business owner are aligned through incentive structures. For example, lock yourself in with an equity component in your business so you just can't walk away from it and put in place an incentive scheme for your employees.

**Brett Penprase, Assistant Vice President,
Partners Group**

TAKE A STEP BACKWARDS

- engage your trusted advisors and spend some time on the business, rather than in the business. A new perspective can change outcomes.

**Gerald Teh, Associate Director,
GE Capital**

As a starting point with any critical issue, you have to develop a clear picture of what you are dealing with as soon as possible.

Start with a clean piece of paper and describe the challenge in a single

sentence. Then outline the impact on the core areas of your business including how it affects the business. Without maximum visibility you can't make any real progress in overcoming the challenge - you must first understand what you're dealing with and what the priorities are across the business.

**Tim Schneideman, Head of Strategy
& Acquisitions, Jigsaw Capital**

As simple as it sounds, I always like to

DRAW A VISUAL OF MY CLIENT'S STRUCTURE.

Having a visual in front of the client at the same time as discussing their business really helps to ensure the structure is right for them. I also like to consider if they are carrying out any activities during the year that could be research and development as there are great incentives out there.

Mariana von-Lucken, Tax Partner, HLB Mann Judd

Make sure you look at your own business in isolation because by

following the herd you are not going to get the exceptional growth you are looking for.

This is particularly important when the economy is a little bit sluggish.

Gregory Will, Partner, PwC Private Clients

Begin with the end in mind

– if you can manage your business with a

strategic exit plan

in mind for every decision (am I getting closer to my strategic outcome with this decision?), you will ultimately maximise the value you can extract upon exit.

Craig West, CEO, Succession Plus

ADVISOR DIRECTORY

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Sal Carrero, Former CEO, Chan & Naylor

Roles available for: Advisory Board, Board of Directors, Professional/Expert Advisor, Mentor

Type of Advice: Strategic, financial and marketing advice

Specialisation: Marketing and lead generation in the professional area

Sal Carrero is the former CEO of Chan & Naylor, one of Australia's leading accountancy firms. Before joining Chan & Naylor, Sal was Queensland State Manager for Lawfund, a membership based company that supplied finance solutions to the clients of solicitors, accounting firms, financial planners and real estate agents. Sal then returned to Sydney to become Lawfund's Business Development Director of New South Wales Head Office. Sal restructured the financial and business model as well as all the marketing collateral for Lawfund. In 2002, Sal became the National Sales and Marketing Director, helping the company grow over 500% over the next three years. In 2006, Sal was instrumental in the trade sale of Lawfund to publicly listed company First Folio.

Passionate • Results Driven • Leader

[Enquire](#)



Paul Dunn, Principal Financial Planner, Meridian Wealth Management

Roles available for: Advisory Board, Board of Directors, Professional/Expert Advisor

Type of Advice: Financial planning, investment, superannuation, self managed super funds (SMSF), insurance & estate planning

Specialisation: Superannuation & self managed super funds (SMSF), personal and keyman insurances, business protection & succession planning, estate planning securities (shares and managed funds), executive share & options portfolio management

Paul is the founding director and Principal Advisor of Meridian Wealth Management. Paul has become a highly sought-after professional financial advisor who is skilled at providing high level strategic advice and guidance across the full spectrum of wealth management and personal finances. Paul is a Certified Financial Planner and specialises in advising executives, expatriates, families, high net worth clients, investors and small businesses to protect, grow, manage and distribute their assets.

Impartial • Transparent • Trusted

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Dale Gillham, Founder & Executive Director, Wealth Within Limited

Roles available for: Advisory Board, Board of Directors, Mentor

Type of Advice: Sales and marketing, and training in the financial services sector

Specialisation: Construction and delivery of training, personal development, sales management, public speaking

Dale Gillham has a history in banking and finance, however for the past 15 years has specialised more in accredited education and training in wealth creation and financial services. Dale is the author of the best selling 'How to Beat the Managed Funds By 20%' and the Diploma and Advanced Diploma of Share Trading and Investment. Dale is a sought after public speaker for both industry and public and also has extensive experience in public relations, dealing with all media. Dale is a regular contributor to many local and national newspapers, magazines and television and has decades of experience in sales and running sales teams.

Integrity • Intuitive • Passionate.

[Enquire](#)

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Chris Gray, CEO, Empire Property Portfolio

Roles available for: Advisory Board, Board of Directors, Professional/Expert Advisor

Type of Advice: Investing and financial advice relating to homes and investment property

Specialisation: Residential real estate and personal investing

At the age of 22, Chris realised that a three bedroom house was more affordable than a one bedroom unit as he could rent out two rooms to friends and effectively live for free. At 31, Chris retired from full time work at Deloitte when he realised that a high salary is no guarantee of wealth and lifestyle and it's not about what you earn, it's what you do with it that counts. Chris now educates professionals and high net worth individuals in how better to manage their personal finances and accumulate real wealth. And for some, he buys and renovates properties on their behalf, repeating what he does for himself. Chris presents on a number of different TV programs and lives on stage nationally and internationally. Chris is the Speaker/ Host of 'Your Property Empire' on Sky News Business Channel, the Real Estate Expert on Channel Ten's 'The Renovators' and has written four books.

Contrarian • Entrepreneurial • Energetic

[Enquire](#)



Marc Hutchinson, State Manager NSW, QLD & WA, Allianz Finance

Roles available for: Advisory Board

Type of Advice: Cashflow solutions for growing businesses, facilitating mergers and acquisitions, security transfers and new start entities

Specialisation: Receivables finance solutions for small to medium sized businesses

Marc Hutchinson commenced in the Receivables Finance industry in 1998 in the UK working as an auditor for Close Brothers Merchant Banking Group in their Receivables Finance Division. He then moved to Brisbane in 2002 from the UK and worked for Bank of Qld (BoQ) initially assisting to set up their Receivables Finance audit function before moving into other operations and sales roles remaining within BoQ Receivables Finance. Marc moved to Sydney in 2005 as part of the BoQ interstate expansion project before joining Allianz Finance as State Manager in mid 2011.

Passionate • Customer Focused • Tenacious

[Enquire](#)



Sian Lewis, General Manager Business Banking, Westpac Banking Corporation

Roles available for: Mentor, Coach

Type of Advice: Banking and finance, change management, organisation design, process reengineering

Specialisation: Delivering major programs of change, understand the systems, process and people implications of executing programs of work

Sian Lewis began her career in Human Resources before moving to line roles in sales and customer services. Sian worked for ten years as a management consultant with KPMG in Europe, enabling her to work across multiple industries in Europe, America and Australia. Sian specialised in delivering large scale change working closely with senior leaders to ensure benefits were delivered. Since joining Westpac, Sian has been leading Westpac's support for small and medium sized businesses, ensuring the right expertise on the ground via 400 local business bankers and developing the products and services to support business success.

Analytical • Pragmatic • Insightful

[Enquire](#)

ADVISOR DIRECTORY

Exclusive to Full Members of The Round Room



Brett Penprase, Assistant Vice President, Partners Group

Roles available for: Advisory Board, Professional/Expert Advisor, Mentor, Coach

Type of Advice: General advice in private equity, corporate finance, investment, markets and economics

Specialisation: Private equity, corporate finance, capital structures, investment markets, capital markets economics and business management, business operations, sales and marketing

Brett Penprase is a member of the investment solutions team in the Sydney office of Partners Group AG. His responsibilities include investment origination in Private Equity, Debt, Real Estate and Infrastructure as well as client relations in Australia. Prior to joining Partners Group, Brett was responsible for investment manager selection, joint venture partnerships and consulting relationships as well as being an investment specialist for Zurich Investments. Previously, he held a number of operational roles at Tyndall, an Australian equity boutique. He holds a bachelor's degree in business from the University of Technology, Sydney.

Passionate • Innovative • Lateral Thinker

[Enquire](#)



Tim Schneideman, Head of Strategy & Acquisitions, Jigsaw Capital

Roles available for: Professional/Expert Advisor

Type of Advice: Strategic advice on all aspects of business with a specialist focus on marketing

Specialisation: Guiding the development of strategic plans for dynamic businesses in any industry

After law school and beginning as a trainee stockbroker and then art gallery curator, Tim settled on a career in advertising. A key role with Mojo Auckland led him to Sydney in 1999. Tim left Mojo to lead the launch of a start-up agency's Melbourne office, before leaving that to begin his own. This business continues today and has been purchased by the private equity business that Tim is now a shareholder in and director of. Tim still maintains a passion for marketing, but in recent years has focused more holistically on broader business challenges and opportunities, aiming to maximise investments and effectively advise many others.

Strategic • Energetic • Direct

[Enquire](#)



Gerald Teh, Associate Director, GE Capital

Roles available for: Advisory Board, Professional/Expert Advisor

Type of Advice: Capital structure and debt advisory

Specialisation: Capital structuring and arranging access to debt and equity, access to an extensive network that can raise debt or equity to facilitate businesses

Gerald Teh is Associate Director at GE Capital, one of the largest financial lenders in Australia and New Zealand. Gerald has spent 12 years in banking, spanning business and corporate banking with the likes of NAB, St George and GE Capital. Specialising in the middle market, Gerald has an understanding of cash flow analysis and can facilitate outcomes in relation to capital structure. Gerald has an extensive network that can place a variety of capital requirements, whether it be small SME business or large complex corporate debt. Gerald's network also gives him access to equity capital markets that can facilitate growth and mergers & acquisitions.

Results Orientated • Imaginative • Passionate

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Mariana von-Lucken, Tax Partner, HLB Mann Judd

Roles available for: Advisory Board, Board of Directors, Professional/Expert Advisor, Mentor

Type of Advice: Tax and business advisory and tax compliance

Specialisation: Income tax advice provided in a practical manner, in relation to set up, restructure, sale or purchase of a business. Advice on R&D tax incentives, FBT, GST and many other income tax issues that can save money

Mariana von-Lucken is an experienced and highly respected taxation professional. Following time with accounting firm Coopers & Lybrand, including time spent in the Prague office, Mariana joined HLB Mann Judd in mid-2000. Mariana's expertise covers several broad areas including advising funds management businesses in relation to taxation matters, as well as advice in relation to year end tax distributions, advising businesses in relation to international transfer pricing issues, including tax compliance and documentation, R&D concessions for businesses seeking to maximise their entitlements, advising a wide range of businesses and not-for-profits on strategies for minimising their fringe benefits tax liabilities and advising both vendors and purchasers in relation to the taxation implications that relate to various transactions.

Practical • Solution Focused • Reliable

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Gregory Will, Partner, PwC Private Clients

Roles available for: Professional/Expert Advisor, Mentor

Type of Advice: Business advisory, audit, tax and corporate finance

Specialisation: Corporate, business and functional strategy, performance improvement, value creation, change management, business advisory and mentoring, accounting and tax services

Gregory Will is a Partner and National Head of Advisory for Middle Market Companies at PwC in Sydney. He has worked in professional practice for 18 years. Greg assists businesses with performance improvement, cost reduction, strategic design and implementation to increase growth and deliver sustainable and measurable business value. He has experience in business advisory, audit, tax and corporate finance in both Australia and abroad. Greg is media spokesman for PwC on private business issues and is the nominated representative on the firm's global Private Client committee. He commentates in national and local press on increasing business value and regularly appears on Sky Television's Business Channel as an authority on strategically growing businesses.

Commercial • Reliable • Relationship Driven

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Craig West, CEO, Succession Plus

Roles available for: Advisory Board, Professional Expert/Advisor, Mentor

Type of Advice: Business succession and exit planning, design and implementation

Specialisation: Capital gains tax, employee share plans, business sales, mergers and acquisitions

Craig West is a strategic accountant who has built a specialised advisory practice focused on assisting small business owners design, plan and implement their exit and succession planning strategy. Utilising a suite of unique tools and processes, including employee stock ownership plans (ESOPs), Craig focuses on maximising business value. Craig is a CPA and has been advising businesses in management, taxation and accounting issues for over 15 years. He specialises in business structuring and succession planning and has had extensive experience working with clients to improve their financial performance with proven results. Craig has conducted numerous seminars and presentations throughout Australia, is one of only five Australians to be qualified as a certified exit planning adviser and has recently commenced a PhD in Business Succession.

Insightful • Relentless • Strategic

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The Round Room is an advisory service for entrepreneurs and CEOs who wish to take their business to the next level.

The Round Room acts as a quasi-advisory board to offer high level expertise, guidance, support, focus and accountability.

Stimulate lateral thinking and problem solving.

Collaborate on real business issues with like-minded peers.

Access tailored advice from the most successful entrepreneurs & business leaders in Australia.

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