

# SOUTHSHORE

# News

## Southshore Finance

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## Good access to finance key to construction firm's strong growth



To begin a small building company and build it into one of Australia's largest with commercial construction, housing, development management divisions and a staff of over 100 needs lots of good management on several fronts.

The art of successfully turning a profitable dollar is certainly high on the list of priorities when creating a long standing company like Pindan.

Also high in the profit and loss stakes is a vast amount of equipment needed, such as cranes for high rise construction and vehicles to get Pindan personnel from site to site.

Over the years Pindan directors, George Allingame and David Pringle, have entrusted their equipment financing requirements to Darryl Brown and Michael Coombes. The trust and respect between the two groups began even before Darryl and Michael's formation of Southshore Finance.

Perhaps it was no surprise that Pindan and Southshore both expanded their respective enterprises into the south-west with Bunbury as a base.

Pindan has a real estate office in Bunbury, specialising in selling refurbished homes in Carey Park and Withers as part of the State Government's New Living program. The company's south-west contracts include Leeuwin Resort in Margaret River and Cape View Resort in Busselton.

Larger south-west projects, such as schools, colleges and health facilities form part of Pindan's construction arm. In the metropolitan area The Moorings luxury apartments in North Fremantle, Princeton Apartment in Subiaco, Albert Park Mews, North Perth, #1 The Esplanade and the Belswan Retirement Village in Mandurah are all recent additions to the list of achievements for Pindan.

## What the cost of oil could mean



By Michael Coombes

**The current price of oil is certainly a hot topic at present, concerning both motorists at the petrol pump and governments around the world.**

In the short term the high oil cost takes the pressure off the Reserve Bank's need to push up interest rates. However, in the longer term, sustained high oil prices will see a raft of price increases in most sectors of day-to-day living.

Transport costs are certainly in the front line of feeling the pinch. This, in turn, will see supermarket shelf prices increase and as the average worker finds it harder to make ends meet, will want to push for higher wages.

A push for higher wages, coupled with sustained higher prices will see CPI increases that could well result in the Reserve Bank having to increase interest rates.

The prospect of possible interest rate rises and the continuation of high oil prices are factors that will need to be accounted for in future purchasing decisions, especially for businesses with a high dependency on oil, such transport and large machinery operators in the mining and construction sectors.

**On a brighter note, the continuation of high oil prices is likely to see the acceleration of the development and acceptance of alternative fuels, such as the hydrogen-powered buses currently running on Perth roads as part of a 12-city evaluation of this technology.**

# Options for equipment finance

Businesses in the market for additional machinery should gain advice from their accountant as to whether the business is operated on a cash or accrual basis in regards to GST.

This point should be clarified before signing of any finance documentation so the contract can be finalised either as a chattel mortgage or hire purchase agreement.

If it is determined that your business is 'cash' regarding GST payments, then a chattel mortgage is paramount because the GST component of the transaction is reclaimable in full - up front.

An 'accrual' business can opt for either a chattel mortgage or hire purchase. The GST is also reclaimable in full up front, irrespective of either type of contract.



Stamp duty on hire purchase contracts is payable monthly, whereas the stamp duty on a chattel mortgage is a one-off up front payment of 0.4% of the finance amount. However, if the borrower is an accrual business then stamp duty payment should also be costed before finalising the method of finance.

If you would like clarification or

assistance on this issue, please feel free to contact Darryl or Michael.

**The monthly stamp duty cost should be multiplied by the number of months in the purchase contract and compared against the 0.4% chattel option before deciding which option is less demanding on cashflow.**

## Using your home as a credit card has its dangers



**Surging property prices have led to a strong rise in home equity lending.**

Figures for the first three months of 2004 showed that lending on home equity doubled over the same period in 2003.

Should you require further information on any topic relating to business or commercial property finance, residential property finance or equipment financing we'll be more than pleased to assist.

The information contained within this newsletter is of an advisory nature only and due to constant changes we advise you to contact us before making any formal financing decisions.

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Homebuyers are borrowing against the increased value of their properties, freeing up cash to reinvest in renovations, pay for holidays and cars or investments.

But financial advisers warn that home equity loans are like giant credit cards with lower interest rates.

The temptation to get easy credit may lead to homeowners running down their equity to spend on frivolous short-term consumables.

However, such borrowing is certainly cheaper than credit cards or personal loans.

The Australian Consumers' Association warns that people nearing retirement are particularly vulnerable to overspending.

**When homeowners decide to draw down equity, they increase debt, which could be a problem at retirement.**

## Check your statements for errors

**Did you know there are claims that more than 50% of home loan statements contain calculation errors? No data was available for business loan statement errors, but it would be safe to assume similar mistakes do occur.**

Simple mistakes, like the entry of the incorrect balance or the application of the wrong interest rate at the wrong time can be costly and mostly favour the lender.

We all make mistakes, even bank computers make them and that's why borrowers should keep a close eye on loan statements. Various software for your home PC is available that can run a check on your statements.

## Laughter is good for your health

**Did you know that laughing, giggling and sniggering decrease stress by releasing endorphins natural opiates which are also released in exercise?**

Laughing strengthens the immune system, can reduce blood pressure and helps reduce the chances of illness because more than 70% of illnesses are related to stress which manifests as high blood pressure, digestive and bowel disorders, anxiety,

depression, fatigue, headaches, muscle tension, loss of sexual drive and mood swings.

It seems that in the 1950s we laughed an average of 18 minutes a day while in the year 2000 we averaged just 6 minutes a day.

Children laugh in the region of 400 times a day while adults are lucky if they laugh 15 times. In order to gain health benefits from laughing we need to laugh for 30 minutes a day.

