

In the spotlight

UK firm has it in the can

Milton Keynes – based TG Can has recently doubled its premises size and added a third company to its portfolio thanks to a new funding solution and successful overseas expansion.

Although approximately 50% of the firm's turnover now comes from international trade, managing financial transactions outside of Europe almost proved to be the demise of the business, which delivers high-precision tooling and machinery to the can packaging industry.

In the early stages TG Can Technology experienced difficulties with slow paying customers – something that troubles many UK exporters, as non-European organisations tend to have longer payment periods than the UK's typical 30 days. This was further exacerbated by language, cultural, logistical and legal differences. All of these delays can create serious cashflow problems, which can seem insurmountable.

Managing director Ian Williams found his bank overdraft just wasn't flexible enough to keep pace with the growing overseas business and identified Export Factoring from Bibby Financial Services: "We benefit from receiving funding up to 85% of the value of our export invoices as we raise them and the collections service means customers deal with us in their language and can pay funds into their local bank. It makes it easy for our customers to buy from us and that's really important when operating in competitive markets."

ONE MINUTE BRIEFING

Confidential Factoring

Did you know that Bibby Financial Services offers a specialist confidential factoring solution aimed at businesses turning over more than £500,000 p.a. as well as premium start-ups. Bibby Financial Services is one of the few companies in the UK that can offer your small and medium-sized business clients the benefits of a confidential factoring facility. Confidential Factoring can provide your clients with an integrated funding and specialist collections service, all of which is managed confidentially, meaning that your client's customers are unaware of Bibby Financial Services' involvement.

The service releases up to 85 per cent of your clients unpaid invoices as they are raised. All correspondence to their customers will carry your client's corporate style and branding. Our state of the art call centre technology means that a unique telephone line will be designated to your client and this phone number will be quoted on all correspondence. When a customer calls into the business's dedicated team, the call will be answered in your clients name offering a truly personalised service.

David Robertson, chief executive commented: "Our confidential factoring service has been developed as the direct result of our clients' needs. Research showed that some clients would prefer their customers not to know they use the services of a factoring company."

Soapbox

'Are you fit for business?'

In the world of financial services we are regularly called upon to attend functions relating to our market. These provide fantastic networking opportunities but despite our best intentions can often degenerate into a spiral of over-indulgence and late nights.

Quite apart from all the other stresses and strains we endure on a daily basis, these excesses can eventually take their toll on our health and well-being.

My belief is that more businesses should be encouraging and even facilitating lifestyle changes for their staff, particularly those in the front line.

In its simplest form this could include education on the benefits of making sensible dietary choices and ideas on how to measure the timing and extent of alcohol intake to remain alert and professional throughout an event.

More challenging ideas could include the promotion of 'healthy' networking events through to actively encouraging or incentivising staff to exercise.

Contrary to popular belief, taking regular exercise – even in a busy job – is far from impossible. Indeed I would argue that the benefits of reduced stress, increased productivity and less sickness more than justify the commitment required from both the employer and employee to make it happen.

Whatever your view, most people would agree that in today's market only the fittest businesses will survive and prosper. My personal belief is that building a fit and healthy team is both a responsible and productive way to help you achieve your aims.

Stuart Wilkinson,
Director of Factoring UK Ltd

focus

NEWS, VIEWS AND OPINIONS ON BUSINESS FINANCE

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SUMMER 2005

MBO market thrives in 2005

The UK buyout market has surged in recent years as increasing numbers of small business managers and owners have realised their dream of business ownership.

Momentum in the market picked up significantly during 2004, with the last quarter of the year proving particularly strong. It saw the highest value and number of MBO deals take place in the last four years – an increase of 24 per cent in terms of value and 17 per cent in terms of numbers, compared to the same period in 2003.

The outlook for 2005 remains equally positive with evidence of high investment activity backed up by improving market conditions and the ongoing availability of funding. In the first quarter of 2005 alone, the MBO market has put in a strong performance with transactions totalling 4.78bn completed across the UK.

With this upsurge in activity has come renewed interest in invoice finance as an alternative form of funding for buyouts, not just as a means of funding the buyout but also as an ongoing source of working capital to ensure the business can carry out its plans.

The invoice finance sector now provides over £3.9 billion of funding to nearly 1,900 companies with a turnover of in excess of £10 million. This growth reflects the increasing role that invoice finance plays in the funding of mergers and acquisitions.

Invoice finance allows buyout teams to access a source of funding based on their outstanding sales ledger. These funds can be used to bridge the gap between what the management can afford to inject towards the buyout costs and what the bank will lend.

While not all products and services suit invoice finance, nearly half of MBOs in the small and medium-sized sector use it. If a business has sales of £3 million it could raise up to £2.5 million in cash; this could be used to assist in the purchase of the business and then as a form of ongoing funding, to help with running costs.

Invoice finance can be used with a mix of other sources of funding to achieve a successful buyout. A key benefit of the invoice finance arrangement is that it is ongoing and ensures that in the early days of trading for the MBO, the funds are there so the business can realise its plans.

MBOs are never easy, even though they may appear to be the most straightforward option available to an owner-manager and are on the rise as owners of businesses are anxious to cash in for retirement or personal reasons.

However, with the right financial support and expert advice an MBO can be hugely satisfying and offer a once-in-a-lifetime opportunity to take ownership of a known business and see it thrive and succeed.

Don't let your clients be tripped up by new legislation

A dormant provision in the Health and Social Care Act 2003, due to come in to effect later this year, could have a massive impact on the country's small and medium sized business community.

The new provision allows the NHS to recover the costs of treating persons who have incurred any sort of injury and who have successfully sued a negligent party for compensation. The legislation now covers things like accidents in the workplace, as long as some party (i.e. the employer) is held to have acted negligently and found liable to pay compensation to the injured party.

For many years the NHS has been able to recover from insurers, the cost of treating those injured in road traffic accidents and who have gone on to make a successful claim for compensation. The new legislation will see this long-standing situation extended to also cover accidents in the workplace.

In practice what this means for your clients, is that if a member of their staff incurs an injury in the workplace and if that injury can be attributed to negligence on the part of your client and the employee successfully sues for compensation, any resulting NHS treatment costs can be claimed back from your client by the NHS. Similarly, if a customer or member of the public suffers an injury in or around your client's premises, again the NHS may be entitled to recover the treatment costs.

The costs would normally be met by your client's insurance policies. But if appropriate insurance cover is not established then they will have to meet any treatment claim from their own pocket. Insurance premiums are already rocketing; the 23 per cent annual increase in employers liability premiums recently reported by the Engineering Employers Federation is likely to continue, while the Association of British Insurers estimates that premiums are likely to rise in the region of 5 per cent.

While the NHS claims will be capped at £34,000, the new legislation will see some business owners and managers facing not only the cost of paying compensation to the injured party, but also the cost of treating that party for their physical and possibly psychological ailments.

In order to minimise the risk of accidents your clients need to act now in order to mitigate the risk of their staff or customers incurring injuries, which could result in claims against them. With inevitable rises in insurance premiums on the horizon businesses should be prepared, before their next renewal date, to conduct an audit of their health and safety procedures.

If your clients need assistance with health and safety matters, Bibby Financial Services can help. We offer low cost health and safety surveys to ensure a safe working environment and compliance with the latest legislation. For further information please call 0800 91 95 92

Country WATCH IRELAND

In this issue of Focus we turn our attention to Ireland one of the developed world's fastest growing economies.

- Population: 4 million
- Unemployment: 4.5%
- GDP: 134,786 million Euro
- UK Exports: £12 billion
- Key Industry Sectors: service sector 65% (hi-tech and internationally traded services) industry 28% and agriculture 7%
- Main Imports: clothing, footwear, food and building materials

Although the Irish market is a small one, it offers great potential for UK companies. Consistently high growth rates coupled with a young population (nearly a third of the total population is aged 25-44 years) make it an attractive market to operate in.

Over the past decade, unprecedented economic growth has seen the level of Irish GDP almost double in size. UK exports to Ireland were worth £12 billion in 2003 and were up 5.5% in the first five months of 2004. Ireland is a major customer for products and services of all kinds and is the only major world market where the UK is the dominant supplier with 31% market share.

With the growth in the Irish economy, recruitment is becoming a problem – there is virtually full employment in Ireland at present. Government policy on immigration is currently being reviewed to address this issue but there still remains a shortage of skilled staff in certain sectors – mainly electronics and IT. Labour costs are in general, broadly similar to the UK.

If your clients are thinking about trading with Irish companies or are already doing business in Ireland, we can help. We have an office in Dublin and are able to assist businesses not only with funding sales to Ireland, but also with collections from Irish customers.

economy watch

Despite the CBI's quarterly survey showing a fall in economic confidence among UK businesses, owners and managers reported an increase in profitability for the first time in nine months.

Though many businesses remain pessimistic about the economic outlook, with the decline in the manufacturing sector and slowing consumer spend showing no signs of easing, economists are confident the decision by the Bank of England not to alter interest rates will provide some stability.

CBI Chief Economic Advisor Ian McCafferty commented: "Confidence among both businesses and consumers is very fragile, and trading conditions are tough. However, we must avoid talking ourselves down as the outlook is still for continued, if somewhat more modest, growth.

"The decision by the Bank of England to leave interest rates on hold for the tenth consecutive month will maintain stability and should support confidence."

deal BULLETIN

Exporter of Fish £2m

This business was introduced to Bibby Financial Services by their bank, as their existing factor could no longer effectively manage the account due the increasing volume of export debt. We have provided the business with an export factoring facility with a funding line of £350k. By using our multi-lingual credit control team, coupled with our specialist experience in managing export ledgers we have provided the business with the type of funding and service that they required from the start, enabling them to move the export side of their business forward.

Wholesaler & Distributor of DVD's and Computer Games £4m

This business was being held back as their existing factor was unwilling to increase their funding line above £225k; in addition funding was being restricted on a large number of the blue chip customers, due to high involvement issues. All of this resulted in the business having to request overpayments each week from their facility as well as a regular need for same day payments at a high cost to the firm. Bibby Financial Services were introduced and have been able to offer a full factoring facility with a funding line of £350k. Realistic high involvement levels were set for their blue chip customers so not to restrict their funding moving forward. The business has since gone from strength to strength with a number of profitable deals completed due to the additional funding and support provided.

Recruiter £250k

This MBO needed a rapid injection of cash, to enable their new business to start trading. Bibby Financial Services were recommended to the business and turned around a specialist Recruitment Finance facility that includes invoicing, funding, collections and payroll services, within just six days of meeting the management team. An initial £50k funding line has been provided which has enabled the business to continue trading and for all temporary staff to be paid on time.

viewpoint

What should the Labour Party's priority be for the UK business community as it enters its third term in Government?



Sir Digby Jones, Director General of the CBI

Despite its heavily reduced majority, we need this Government to be courageous in its decisions on the big issues facing everyone in this country.

Reforming the public sector to make it more efficient will require real political will, but it is vital if we are to secure quality public services across the country and, at the same time, keep the tax burden down.

We have reached a crossroads for Britain's reputation as a preferred location for multinational companies. If the business tax burden in this country is not kept under control and reduced

over the medium term, some of those companies will find a more welcoming environment in which to create wealth and jobs.



David Robertson, Chief Executive of Bibby Financial Services

With the majority of business owners and managers across the UK struggling to keep on top of legislation, the new Government must make a commitment to cutting red tape and reducing the regulatory burden on Britain's small businesses.

The new Regulatory Reform Bill is a step in the right direction, however, after a number of false starts in recent years the Government needs to put its words into action.

With 45 bills on the new agenda, I echo the concerns of the Federation of Small Businesses and other industry bodies that the Government may struggle to find the necessary resources to fulfil its promise.

Hopefully, the Government will prove us wrong by demonstrating its new found commitment to cutting red tape, with the beginning of its third term in office marking a turning point for the UK's small business community."



Miles Templeman, Director General of the IoD

The new Government must step up the pace of regulatory reform if we are to secure a fundamental culture change. In many corners of Whitehall, there is still a tendency to regulate first and ask questions later. We would like to see the Government give serious consideration to adopting the example of the Netherlands by setting a target to reduce the overall cost of administering regulations.

Education is also a very important policy area for business. We would like to see an improvement in basic literacy and numeracy levels, since this is, in our view, key to improving the productivity and competitiveness of UK plc.