GlenWyvis Distillery Ltd
The whisky and gin distillery set to benefit an entire Scottish community
Welcome to Inside Scotland

Welcome to the latest edition of the Close Brothers newsletter for Scottish SMEs. This is the first newsletter I am introducing since becoming Managing Director in the summer, and I’m delighted to be able to update you in this issue on Scotland’s latest business developments, news from our teams across the country and success stories from the customers we’re proud to support.

First of all, I’m happy to say that we continue to enjoy a strong partnership with The Institute of Chartered Accountants of Scotland (ICAS) and we are very proud sponsors of the ICAS Insolvency and Restructuring Conference on 14th-15th November. It is a real privilege, and hugely important to the whole Scotland team, that Close Brothers Asset Finance is able to support this key event in the ICAS calendar.

In this edition we’ll be diving into the newly released Business Barometer review with insights from a range of issues relevant to SMEs in the transport industry. This independent review is drawn from a survey of 1,000 SMEs across the UK and reveals some very interesting sector trends which you may find correlate with your own experiences.

We’ve also got an excellent collection of real-life case studies from some of our most recent customers. Hear from a whisky and gin distillery, an engineering firm, a floor screeding installer, and ICAS as they share their experience of finding the funds they needed to grow their business through our bespoke finance packages.

As the new GDPR moves ever closer, businesses across Scotland are working hard to make sure they won’t be caught out by the new regulation. In this edition we’ve included a helpful 12 step guide to help you make sure your business is ready for the changes coming our way in May 2018.

I hope you enjoy the read and look forward to working with you in the future.

Jackie

Jackie Cooke
Managing Director of Close Brothers Asset Finance in Scotland

Upcoming events

ICAS Insolvency and Restructuring Conference
14th - 15th November

Wood Heat Association
22nd - 23rd November

ICAS Burns Supper
26th January 2018
ICAS building on heritage to digitally transform

Find out how Close Brothers Technology Services helped the world’s first professional body of accountants - the Institute of Chartered Accountants of Scotland (ICAS) – upgrade its technology hardware as it strives to become a digital leader in its field.

ICAS was created by Royal Charter in 1854 and has grown to become a professional body for more than 20,000 business men and women around the world.

Their members have all achieved the internationally recognised and respected Chartered Accountant qualification with many leading some of the UK’s largest companies and accountancy practices.

The challenge:
ICAS has a stated ambition of becoming a leader in digital services and in 2016 embarked on a business transformation programme to set them on the path.

In some cases teams were using dated equipment with many variations of hardware and software. The complexity of the legacy arrangement was making it very difficult for the IT team to support colleagues, resulting in not only a high volume of tickets raised with helpdesk but inconsistent security patching of equipment.

The solution:
Strategically, it was decided that if the organisation was going to achieve its aims, staff must have modern, secure equipment on an ongoing basis, which meant replacing equipment on a regular basis.

The first step involved a detailed analysis of potential hardware suppliers and manufacturers who could provide the best solution at the right price and payment terms.

The funding solution agreed was a lease using a residual value investment by Close Brothers Technology Services, providing ICAS with a very competitive price over the agreed term with the total sum of the rentals being less than the cash price. This structure also allows the cost to be spread over the useful life of the equipment.

Following successful negotiations with the suppliers, the old hardware was uninstalled and replacement technology - 200 new laptops along with upgraded desktops and monitors - was rolled out across two locations overnight to minimise disruption.

Obsolete assets were disposed of in an environmentally sustainable way with data removed to comply with GDPR. Assets with a second-hand value were sold with the proceeds reinvested.

The outcome:
The ICAS Executive Team considers technology expenditure to be a cost of employing resource rather than an occasional capital outlay, which is in keeping with its new strategic priorities.

ICAS staff are enabled and equipped with modern, secure equipment that has brought with it a consistency of hardware across the business.

Taking the leasing option has resulted in more equipment being made available along with greater control over the asset estate and replacement rollout.

Tickets raised with the help desk have reduced while the requests that are being logged are asking for assistance on becoming more efficient.

“CBTS were great to work with, they understood and predicted the questions and challenges our colleagues had. They clearly invested the time and the right skills to ensure our deployment of new equipment was successful without any major problems.”

Carolyn Spencer, Director of Digital Transformation, ICAS
The whisky and gin distillery set to benefit an entire Scottish community

Find out how innovative funding solutions helped secure the future of a growing community-owned whisky and gin distillery in the town of Dingwall in the Scottish Highlands.

GlenWyvis is a gin and whisky distillery – but one with a significant difference. Established as a Community Benefit Society, GlenWyvis has been largely crowd funded by over 3,000 ‘investors’ who share the vision of owning part of a new Scottish distillery. With the rejuvenation of the local community as a central objective, the aim is to develop Dingwall into the leading craft distillery town of Scotland with GlenWyvis providing a quality visitor destination on the North Coast 500 tourist route.
The challenge:
High quality whisky and gin production relies heavily on steam, and the team at GlenWyvis were determined that any boiler should be both energy efficient and environmentally sound, but for this they needed additional funding beyond that already secured.

The GlenWyvis team urgently needed to find the right funder to work with the installers to get the all-important boiler and distillation plant up and running on time for their opening in November 2017. However, being quite a new company, with only one year of craft gin sales behind them at the point of needing finance – they knew that many traditional lenders would reject their applications outright. Their business model was also dependant on additional rounds of future funding, so they needed a funder with the flexibility to think outside of the usual parameters and see the community project for the great opportunity it is.

The solution:
With the GlenWyvis team working closely with James Waterson and Mark Banks from Close Brothers, it was agreed that to meet both environmental and funding ambitions, the most suitable option was an eco-friendly Binder biomass boiler generating steam to the distillation plant that had been supplied by Forsyths of Rothes.

The funding solution agreed was a Sale and Hire Purchase Back agreement, which would protect GlenWyvis’s cashflow until the Renewable Heat Incentive payments commenced and the distillery started to earn additional revenue income from on-site distilling and increased sales.

The payment structure for the steam boiler is a simple and flexible one - two quarters of ‘low start’ repayments, with an increase at a later time to suit the business.

This was an unusual transaction, needing a funder that:
• Had local knowledge and understood the importance of this business to the community
• Could make quick credit decisions
• Had the flexibility to lend to a fairly new company
• Understood the whisky and drinks sector along with having the requisite specialised asset knowledge.

The outcome:
James Waterson, Renewable Energy & Intermediaries, Close Brothers Asset Finance:
“This relationship was a natural fit for Close Brothers as it relates to both the renewable energy sector and the drinks industry, two areas we have specialist knowledge of and actively involved in. Our interest in supporting GlenWyvis to build their business, coupled with the very special Highland community involvement in this project, made this a unique opportunity that Close Brothers is very proud to be a part of.”

John McKenzie, Managing Director and Founder, GlenWyvis Distillery:
“Our Finance Director here at GlenWyvis, Hazel Allen, worked closely with James from an early point to ensure that the lending was available at the right time. Their planning focused around the commissioning of the distilling equipment – as this provided the tangible and necessary security for all parties. As we now move into the production phase, this finance package will prove to be a key element in the business planning for the early operational years at GlenWyvis.”

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James Waterson
Future proofing through funding...

Glenalmond Contracts needed to take control of its raw material manufacturing process - and quickly. Find out how the team at Close Brothers Asset Finance used their experience and innovative funding solutions to secure the future of a growing Scottish business...

Perth-based Glenalmond Contracts was founded nearly 20 years ago and in that time they have grown to become Scotland’s largest flowing floor screed installer. They are the only Scottish contractor to operate their own fleet of specialist truck mixer vehicles, providing coverage throughout the country, including the Islands. Customers range from self-build homes to multi-location large public projects.

The challenge:
A secure – and reliable - source of screed was required to ensure Glenalmond Contracts were in a position to fulfil not only existing orders but also future commitments. An opportunity presented itself to install a new concrete batching plant within the Port of Dundee which is currently undergoing a substantial reinvestment programme; the team at Glenalmond saw this as the right time to invest in the long term future of the company by securing its manufacturing process.

Using a combination of their own funds and asset finance, the team needed to find the right funder to work with both the supplier and installers to get the bespoke plant delivered on time.

The solution:
This was a complex transaction that needed a funder who:
• Understood the plant and the industry.
• Had the ability to facilitate the payments with a foreign supplier.
• Could make quick credit decisions.

Case Study
Glenalmond Contracts
Suzanne Smith
Corporate Manager
Industry:
Construction
Business requirement:
Establish a new manufacturing capability
Product:
Funding of new production plant

Campbell Stewart commented: “Suzanne was able to tailor the proposal to our requirements including securing a competitive Euro rate. She and the experienced team at Close Brothers were able to make a complex transaction seem straightforward.”

The outcome:
Taking control of the process has led to Glenalmond meeting its stated business objective of securing the business’s future with complete control over the manufacturing process, quality and speed of delivery of the end product.

Additional benefits have included:
• Maintain a consistently high level of customer service.
• Cost control: there have been savings through speed of loading, better energy efficiency and a reduction in waste.
• Additional income: Glenalmond Contracts has also become a re-seller of the finished product, opening up a further income stream.

“The initial credit decision was provided quickly, which allowed Glenalmond Contracts to place the order and secure the plant. We also worked directly with the supplier and installers arranging payments to facilitate the on-time delivery and installation of the plant.”

Suzanne Smith,
Corporate Manager,
Close Brothers Asset Finance
Family-owned James C Gillespie Engineering of Kirkcaldy, Fife had a history of providing high-quality precision engineering services to a wide range of customers across the UK. When the Gillespie family decided to sell the business on, a new management team came forward with plans not only to maintain, but to enhance the company’s services through their employees, customers and supply chain.

However, new investors Bill Taylor and Bob Waterson would need a cash injection in order to raise sufficient funds to acquire the new business, and make a start on their plans for its development and growth.

This is where Close Brothers was able to help, with an innovative asset-based lending facility.

The challenge:
The new management team required funding to purchase the business. A potential source of these funds was to release equity from assets within the business itself. This was a complex transaction, where the funds to buy Gillespie would need to be released at the very moment the team acquired the business. For this kind of simultaneous, multi-faceted transaction to run smoothly, the new management team - and the Gillespie family - needed to make sure they had the right teams around them with the specialist knowledge they required.

The solution:
Advisory firm FRP introduced the Investors to Angus Armstrong at Close Brothers Invoice Finance. Angus contacted James Waterson (Close Brothers Asset Finance) and the pair put together a funding proposal on an asset-based lending basis; where equity can be leveraged from the target business in order to acquire it.

The funding solution agreed was a Sale and Hire Purchase Back agreement, which would provide the management team with the funding boost required to acquire the business and begin to put their growth plans into place.

James Waterson: “Securing the right funding for the Gillespie management buy-out was the work of a number of different teams; each providing specialist knowledge and each essential to the process. Close Brothers was able to provide the specialist finance solution, but it has to be said that this transaction simply would not have been possible without the advice of our lawyer Tim Cooper from Addleshaw Goddard, or the accurate valuation work from Sweeney Kincaid.”

The outcome:
This was an unusual transaction, needing a specialist finance provider that:

• Understood the aspirations of both the sellers and the new management team
• Understood the value within the business
• Had the specialist knowledge to provide the refinance facility

Angus Armstrong: “With this ABL finance package we were able to support the aspirations of both the Gillespie family and the new management team. The Gillespie Engineering case is a great example of how Close Brothers’ innovative funding solutions can help our customers achieve their business goals.”

“When FRP aligned us with Close, they weren’t the only option available to us however the ability of Close to understand the structure of the deal we wanted with James C Gillespie Engineering, and their innovative approach to delivering the right solution for us, meant we were able to get what we wanted, when we wanted it and how we wanted it. We are delighted with the solutions provided by Close and it has helped us get off to the best possible start in our latest business venture.”

Bob Waterson
Dive into the findings from our latest Business Barometer

The results are based on the Close Brothers Business Barometer, a quarterly survey of close to 1,000 small and medium-sized enterprises (SMEs) across the UK conducted by specialist independent researcher, GMI, on Close Brothers’ behalf.

In this issue we highlight a wide range of issues relevant to Scottish SMEs across all industries. Where relevant, comparisons are made with UK-wide sentiment. The commentary in this review focuses on:

- Knowledge of alternative finance
- Hiring choices
- Finance preferences
- Late payments

Have you heard of Asset Finance?

Traditional banking is still the best known source of funding for Scottish SMEs with 70% of those polled not having heard of asset finance, which is higher than the UK figures of 60%. However, the asset finance industry continues to show robust growth. In 2016, Finance and Leasing Association members financed almost a third of UK investment in machinery, equipment and purchased software in the UK, and growth continues; in the second quarter of 2017 asset finance new business grew by 12%.

“More work needs to be done to improve knowledge of the many different alternative finance options available,” said Jackie Cooke. “There are several different products which don’t impact cashflow that SMEs could be benefitting from, ranging from hire purchase to refinance.”

Are slow payments a problem in your industry?

Slow payments are 30% less likely to be a problem across Scotland than they are in the UK on average, with 18% of Scottish SMEs saying they are an issue compared to 29% from the UK; 11% answered ‘don’t know’.

“If you look at the UK-wide results and break responses down by sector, Transport suffers the most in this area, with 37% saying late payments are an issue,” said Jackie. “Engineering (35%), Construction (34%) and Manufacturing (34%) were close behind.”
Where are you most likely to go to seek financial advice?

“With so many family-owned firms in the UK is hardly surprising that family should be the first port of call for funds and advice for SMEs,” said Jackie. “It makes sense that owners involve the people they know and trust in important decisions about the business.

However, accountants come second in our survey, and clearly have a vital role to play. While family can provide funds and much valued emotional support and business experience, the accountant has an objective understanding of a firm’s performance and can offer the kind of insights and impartial advice that are not to be found elsewhere.”

The top three types of funding opted for are:

- Bank Loan: 22%
- Family Funding: 17%
- Overdraft: 15%

“The majority of small businesses still go to their Bank as a first port of call because of the relationship they have with that financial institution” said Jackie. “But it’s great to see Scottish SMEs taking a lead on exploring alternative sources of funding, such as asset finance”.

Who do you plan to employ?

Scottish SMEs plan to employ twice as many apprentices as the UK average (15%). Temporary or freelance staff also makes up 31% of Scotland’s employment plans, compared to a UK average of 25%.

“Many of the sectors Close Brothers supports, particularly certain areas of transport like haulage, are facing a shortage of new entrants. The future of the industry depends on ensuring the right people are incentivised to join the sector. That may mean offering apprenticeships to young LGV drivers or offering part-time work to those caring for family – the encouraging feedback from the barometer is that businesses are showing a real desire to look for these kinds of solutions.”

“The fact that Scottish SMEs appear particularly open to hiring apprentices or temporary staff bodes well for the future diversity of the Scottish workforce,” said Jackie.
Are you prepared for the General Data Protection Regulation (GDPR)?

Here are 12 steps to help you take action now...

**Awareness**
Ensure that all decision makers and key people in your business are aware that the law is changing to the GDPR. It’s important you make them aware of the impact this may have.

**Information**
It is important to document any personal data you hold, including where it came from and who you share it with. Consider organising an information audit.

**Communicating privacy information**
Review your current privacy notices and implement a plan for making any necessary changes to it in time for GDPR implementation.

**Individuals’ rights**
Evaluate your procedures to confirm they cover all the rights individuals have, including how you would delete personal data or provide data electronically and in a commonly used format.

**Subject access requests**
Update your procedures and implement a plan for how you will handle requests within the new timescales and provide any additional information.

**Legal basis for processing personal data**
Analyse the various types of data processing you carry out as a business and identify your legal basis for carrying it out and document it.
Consent
Carry out an audit into how are you seeking, obtaining and recording consent? It is important you understand it in order to make any changes to this process.

Data Protection by Design & Data Protection Impact Assessments
The ICO has produced guidance on Privacy Impact Assessments, familiarise yourself with it and work out how and when to implement them in your business.

Children
Consider implementing a system to verify individuals’ ages and to gather parental or guardian consent for the data processing activity.

Data Protection Officers
Designate a Data Protection Officer to be accountable for data protection compliance. Consider the position of this role within your business structure and governance measures.

Data breaches
Make certain you have the necessary measures in place to detect, report and investigate a personal data breach.

International
If your business operates internationally it is important to identify which data protection supervisory authority you come under.

To find out more or speak to a member of our team, visit www.closeassetfinance.co.uk or call us on 01355 888 314
We understand the pressures currently facing Scottish industries and the need to ease cashflow for your business. At Close Brothers Asset Finance we can help you do this with our refinance product.

If you need additional working capital or you want to restructure an existing agreement, refinancing is an option for the quick release of funds.

Whether you own an asset outright or are currently under and existing finance agreement, we will work with you to get the most from the refinance facility, based on the asset’s value.

Contact one of our industry specialists today to find out more about how we can help your business.

01355 888 314
www.closeassetfinance.co.uk

Refinance existing assets
Do you need to raise working capital to ease your cash flow?

To find out more about how Close Brothers Asset Finance can help you, please call 01355 572370 or visit www.closeasset.co.uk

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