



InsideScotland

Autumn 2013 Issue 1

Hello and welcome to the first edition of the Close Brothers Asset Finance newsletter written specifically for Scotland.

The aim of our newsletter is to provide you with an insight into how Close Brothers continues to support commerce and enterprise in Scotland, through smart financial solutions for business.

We are proud of the role we play in helping SMEs and will share the details of how we have assisted a number of businesses to reach their goals further on in the newsletter.

At Close Brothers we understand that your business requirements can be complex. We look at every deal independently and tailor a finance package accordingly. In particular our Sale and HP Back product is something quite unique in the market and we highlight this on page 4.

We hope you enjoy reading about some of the aspects of our business and we look forward to working with you in the future.



Colin Swanston
Managing Director

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Close Brothers
Asset Finance



Case studies

Close Brothers Asset Finance works with businesses from a wide range of industries. Here, we share some of our recent success stories.

FORTH TYRES

Name: [Forth Tyres Ltd](#)

Business requirement: [Additional working capital](#)

Product solution: [Asset refinance and invoice finance](#)

Company profile

Dunfermline-based Forth Tyres Ltd is a well established family-owned plant hire business and is one of the main suppliers of tyres for earthmoving equipment in Scotland.

The company offers a wide range of high quality products and prides itself on its reputation for reliability and exceeding customer expectations.

Business challenge

During 2011, Managing Director of Forth Tyres Kenny Johnson realised that he needed additional sources of finance to develop his business. He had identified an opportunity to import tyres from various overseas markets that he would be able to re-sell at a good margin into the UK marketplace.

However in order to do this, Kenny needed access to capital that would allow him to pay in advance to get the stock at the right price. Thanks to the recession a traditional overdraft or term loan facility wasn't an option.

Furthermore, with a developing plant hire business and a growing order book, there was also a risk that the business could over trade and run into cash flow problems.

Solution

Close Brothers Asset Finance provides funding for most of Forth Tyre's hire fleet, so Kenny Johnson quickly arranged a meeting with his local Regional Manager, Ross Pickburn.

Ross was already aware that the company's existing fleet of plant and machinery contained a level of equity and that it might be possible to release fresh capital for the business whilst keeping the loan to value exposure at an acceptable level.

Ross was also able to identify that the business might benefit from invoice finance to help with cash flow, and introduced Kenny to David Paget, the local Regional Sales Director from Close Brothers Invoice Finance.

Outcomes

Close Brothers Asset Finance carried out an audit on the business and also brought in their independent valuation partner Sweeney Kincaid to put a value on the fleet of unencumbered plant and machinery.

The valuation verified that there was significant equity in the fleet, and a £100,000 revolving refinance facility was arranged which was then used to build a stock of heavy-duty tyres for profitable resale.

Close Brothers Invoice Finance also approved a £150,000 invoice finance facility that allowed the business to further develop the plant hire side of the business.

Both finance facilities continue to operate smoothly and Forth Tyres has strengthened its position in both the plant hire and tyre sales divisions of its business.



Name: [Uist Asco Ltd](#)

Business requirement: [Seed capital for business start-up](#)

Product solution: [Hire Purchase](#)

Company profile

Uist Asco Ltd is a start-up company based in North Uist, owned by brothers Ragnhall and Angus Maclain and their father Donald. It produces organic dried and milled seaweed for a number of applications, but primarily for the purpose of animal feed and fertiliser for farmers and landowners.

At their production site near Sollas, the business dries locally harvested seaweed via an Alvin Blanch dryer that is heated by a 999kW woodchip fired biomass boiler, supplied by Wood Energy Ltd.

This long established island industry is being revitalised by the Maclain family's investment and commitment to the local economy.

Business challenge

To make their business a reality, the Maclains needed seed capital to acquire the biomass boiler and plant.

They wanted to find a funding partner that would understand their vision for the business and who was prepared to finance a start-up based on the strength of their business plan.

Solution

Ken Lancaster, a broker who specialises in funding solutions for farmers across Scotland and the UK, introduced the Maclain brothers to James Waterson, Area Sales Manager at Close

Brothers Asset Finance in late 2012.

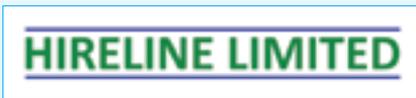
With his expertise in financing the renewables sector, James worked closely with the Maclains and their elected partners, including renewable energy advisors Re:heat, accountancy firm Johnston Carmichael and law firm Harper Macleod. Together they were able to provide guidance and help structure a business model and funding package that would get the business off the ground.

Outcomes

Close Brothers Asset Finance agreed a hire purchase facility over a seven-year term. This funding has allowed Uist Asco Ltd to acquire the 999kW biomass boiler, thus helping the Maclains realise a business idea that had been in the planning for five years.

The biomass boiler has enabled the business to start taking customer orders and its green credentials mean that they qualify for the government's Renewable Heat Incentive (RHI), which offers further financial support.

James said: *"As with all these types of projects, the funder needs to deliver and therefore is wholly reliant on finding credible and professional partners. That's what makes the Uist Asco deal such a fantastic opportunity, we worked with great partners and collectively, I believe, we created great value for the customer."*



Name: [Hireline Ltd](#)

Business requirement: [Funding for business acquisition](#)

Product solution: [Hire Purchase](#)

Company profile

Hireline Ltd was established in 2010 by owner Pat McCluskey. It is an independent family owned business that specialises in the hire of plant and small tools to the Scottish construction industry.

Business challenge

Back in 2010, Pat McCluskey was running the Scottish branch of Ambrose Plant Hire Ltd, a large plant hire and small tool hire business.

Pat had identified an opportunity to acquire the business, and planned to create a new company called Hireline Ltd to do so.

Pat had personal capital for the deal, but realised he would require additional external funding to finance the acquisition, something that would be extremely difficult to come by in the banking climate at the time.

He was also aware that time was of the essence if he was to secure the business at the best possible price, whilst also maintaining trading momentum during the transitional period.

Solution

Pat met with Martin Brown, the Scottish construction specialist at Close Brothers Asset Finance to talk about potential funding solutions. Martin quickly recognised that Pat had put together a comprehensive, convincing business plan that confirmed that he could run the company profitably with slimmed down overheads and a tight control of costs.

It was agreed that the personal capital that Pat could inject would cover the goodwill element of the transaction and Close Brothers would provide a £175,000 facility that would fund the fixed assets of the target business.

There was a considerable amount of work put into the deal, not least in working in conjunction with the various advisers involved in order to conclude the transaction on the planned date.

Outcomes

On the agreed date the funds for the acquisition were jointly provided by Pat McCluskey and his business partner John Gillan of P1 Solutions and Close Brothers Asset Finance. The package comprised a four-year hire purchase facility that was structured around the projected cash flow of the business.

In the 12 months after drawdown of the asset finance facility, the business doubled its turnover. It also managed to turn a profit in year one of trading, which is very unusual, and is continuing to thrive now.

Managing Director of Close Brothers Asset Finance in Scotland Colin Swanston said: *"Asset finance is often overlooked as a possible funding method for the acquisition of a business."*

"In many cases the target company has good quality fixed assets that can be used to release capital as part of the overall consideration paid by the buyer. The only criteria that must be met is that the assets are identifiable and are suitable for asset finance."

"A fixed term finance agreement can be structured around the future revenues of the business and the useful working life of the assets." he added.



Awards

SME Champion of the Year and Asset Based Lender



Close Brothers Asset Finance is delighted to have recently scooped an industry award presented by Leasing World. The SME Champion of the Year award was presented to Close Brothers in early October in a prestigious evening ceremony.

The Commercial Division at Close Brothers also picked up the Asset Based Lender of the Year award at the Insolvency and Rescue Awards in the same week.

Both awards are testament to our distinctive lending model and our bespoke funding packages that are tailored to customers needs, utilising the variety of products we can offer.

Sale and HP Back

Why consider Sale and HP Back?

Businesses often don't realise they have cash 'hidden' in their company's assets that could be used to meet a variety of business aims.

Close Brothers' Sale and HP Back product could help you to release capital from your existing, unencumbered assets, providing an instant boost to cash flow.

This then allows you to reinvest money in the area that needs it most, whether it be additional staff, new equipment or bigger premises.

The idea is simple, we purchase your asset for an agreed value and then lease it back to you over a fixed period. You can still use the asset and the repayments are created to match the income stream it generates, thus easing any cash flow problems.

- Increased working capital which can be reinvested to grow your business
- Tax benefits, as leasing costs can be offset as an operating expense
- Fixed monthly payments which make budgeting simple
- Uninterrupted use of the asset without the burden of ownership

This is a simple yet effective way to finance a business that is aiming for expansion and can be tailored to suit your individual requirements.

If Sale and HP Back sounds right for your business and you'd like to find out more, please contact us on 01355 886 843 or email marketing.glasgow@closebrothers.com



ICAS is a professional body for over 19,000 world class business professionals working in the UK and more than 100 countries around the world. Its members have achieved the internationally recognised and respected CA qualification.

Almost two thirds of ICAS members work in business, leading some of the UK's and the world's greatest companies. The others work in accountancy practices ranging from the 'Big Four' to the sole practices. ICAS also has around 3,000 students striving to become the next generation of CAs.

ICAS represents its members on a wide range of issues in accountancy, finance and business and seek to influence policy in Europe and the UK, always acting in the public interest. ICAS was the first professional body of accountants, created by Royal Charter in 1854.

Close Brothers Asset Finance has enjoyed a relationship with ICAS for over 10 years. We have been a main sponsor for the ICAS Restructuring and Insolvency Practitioners Conferences for a number of those years and continue to work with ICAS in a variety of areas that help support its members.

For more information visit their website www.icas.org.uk



Sweeney Kincaid Industrial Auctioneering has 23 years in the business. With headquarters in Glasgow they work across the entire range of industrial plant and machinery, from traditional to high technology. They have not only conducted some of the UK's most significant sales, but also sold industrial assets to over 65 countries worldwide.

They are the partner auctioneer for Close Brother Asset Finances Scottish branch as well as many other UK lenders. They have a unique online auction platform which has a database of over 100,000 members and potential buyers and their focus to always achieve the best result for the client.

For more information visit their website www.sweeney-kincaid.com

Please call us on 01355 886 843 or email marketing.glasgow@closebrothers.com or visit us at www.closeasset.co.uk

