



**Promoting and Representing
the Interests of Members**

Education and Training
Events
Industry News
Lobbying
Member Guidelines
On-line Services
Public Relations
Industry Information
Statistics



WHAT IS THE ABFA?

The Asset Based Finance Association (ABFA) is a UK based trade association representing an industry with over forty years experience of providing much needed liquidity to UK and Irish businesses. The ABFA's members in the UK and Ireland provide financing to over 48,000 businesses (serving primarily the manufacturing, distribution, transport, service, retail and construction sectors) and transact around £173 billion of clients' invoices each year. In 2008, the industry advanced in excess of £17 billion against invoices and other assets such as stock, property, plant and machinery.



THE HISTORY OF THE ABFA

What has grown to become the ABFA was founded in 1976 as the Association of British Factors (ABF). In the 1980s the Association changed, to become the Association of British Factors and Discounters and then in 1996 was merged with the AIF and the CFA European Chapter to become the Factors and Discounters Association (FDA). In 2007 the FDA was renamed the Asset Based Finance Association to reflect the evolving nature of the finance provided by members in the UK and Ireland.



STRUCTURE OF THE ABFA

The ABFA is comprised of the Chairman, Vice-Chairman and the Executive Committee who meet four times a year on behalf of the Member companies of the Association. The Chairman and Vice-Chairman are elected by the members and serve one year each, with the Vice-Chairman going on to become Chairman after a year in the supportive role.

The Executive Committee represent a cross section of the Member companies. They are voted onto the Executive and put up for re-election to the Members once a year.

The ABFA Secretariat, based in Richmond, supports the Executive Committee. The Secretariat includes five permanent members of staff, including the ABFA's Chief Executive Officer.

ABFA SUB-COMMITTEES

The ABFA holds various sub-committees and forums throughout the year to address issues arising that are relevant to the industry. These sub-committees and forums include:

Sub-Committees

ABL Committee
Invoice Finance Group
Irish Members

Forums

AML Forum
Legal and Technical Forum
Operations Forum

	£,000	48,778	89,678	13,5
	£,000	76,551	117,451	13,5
	£,000	33,737	74,637	13,5
	£,000	29,500	70,400	13,5
	£,000	43,115	84,015	13,5
	£,000	63,991	104,891	13,5

ABFA ACTIVITIES

The ABFA manages many activities on behalf of its members. These activities include:

- Education and Training
- Events
- Industry News
- Lobbying
- Members Guidelines
- On-line Services
- Public Relations
- Industry Information
- Statistics

More information on all of these areas of activity is available on our website at www.abfa.org.uk

MEMBERS OF THE ABFA

The ABFA Membership is united by an entrepreneurial approach to the provision of Invoice Finance and Asset Based Lending for small to medium sized enterprises to multi-national corporations. ABFA members usually provide finance for businesses by advancing payments against money owed to that business by their customers. This allows the finance available to businesses to grow in line with sales. Factoring and Invoice Discounting services primarily provide these facilities. Also many members are able to extend their product offering to include Asset Based Lending - facilities secured against stock, plant, machinery and property. (For a more detailed overview of the industry's products and services please see the Industry Product Overview section.)

ABFA membership is diverse; it includes divisions and subsidiaries of all the major UK banks, foreign banks, major global industrial companies, through to small owner managed finance companies.

Currently there are about 50 member organisations, providing billions of pounds worth of working capital finance to businesses.



“Promoting and representing the interests of the membership of the ABFA in a national and global environment.”

MEMBERSHIP CRITERIA

There are three different tiers of ABFA Membership - Full Member, World-wide Group Member and World-wide Associate Member.

Full Membership of the ABFA is open to UK and Irish companies only. World-wide Group Membership is open to any company belonging to a group where there is at least one Full ABFA member. World-wide Associate Membership is designed for any company where there is no Full ABFA member.

In addition, in order to be a Full Member of the ABFA an organisation must meet the following requirements:

- Be established for more than 12 months
- Have a net worth of over £1 million
- 75% of the business must come from Asset Based Finance
- Their clients' debts must not have been pledged to any lenders beyond that advanced to each individual client

More information on the ABFA membership, a list of members and its membership structure is available from the website at www.abfa.org.uk

AFFILIATES OF THE ABFA

The ABFA Affiliate Programme has grown considerably in recent years. The support that the ABFA receives from its Affiliates enables the Association to continue its work promoting the industry and running educational programmes for those working within the industry.

Opportunities for companies to get involved with the Affiliate programme and sponsorship of the ABFA are always available. The Affiliate Programme runs yearly from January to December, however organisations can become Affiliates at any time throughout the year. Once a company is an Affiliate they are then invited to get involved with ABFA activities and events, however invitation to these events is subject to the company first achieving Affiliate status.

INDUSTRY PRODUCT OVERVIEW

ASSET BASED FINANCE

For many companies debtor balances are the largest asset on the balance sheet. They may also turn into cash at a slower rate than the business would like, often representing two or three months' sales. In the UK and Ireland the Asset Based Finance industry has been solving these problems for over 40 years, providing a range of valued financial options.

If slow paying customers are the problem a full factoring service provides comprehensive collections and credit management services designed to obtain faster payment from customers without harming goodwill. Moreover, there is no need to wait until the customers settle their invoices. The factor pays up to 85% of outstanding invoices immediately and the balance when the customer pays.

If an organisation already has sound credit management and simply wants to speed up cash flow, the Invoice Discounting alternative provides a similar immediate payment with the balance, less charges, when the customer pays. Either service may be available on export sales as well as UK sales, and some member companies provide the option of bad debt protection.

The industry's understanding of working capital needs has led some members to extend their services to cover other forms of Asset Based Finance, primarily but not exclusively secured against stock values, existing plant and machinery and providing cash flow loans.

FACTORING

Sometimes referred to as a Full Service Factoring, this provides the complete answer to slow-paying customers, shortage of working capital and, if needed, protection against bad debt losses. Exporters may like to know that some of our Members have partners in overseas markets and can include export transactions in their service.

With a factoring solution the factor agrees to pay an agreed percentage of approved debts as soon as they receive a copy of the invoice. The percentage depends upon several issues, but 80-85% is common. The balance, less charges, is paid when the customer pays. This flexible finance keeps pace with business growth, without parting with control or equity. The factor will also undertake all credit management and collections work, following an agreed credit policy to ensure faster customer payments without loss of goodwill. The savings in administration are substantial, and faster customer payments mean less need to borrow and lower interest costs. In addition, some ABFA Members offer the option of including protection against bad debt losses in their service. This safeguards profits, cash flow and enhances the balance sheet.

There will normally be a charge for the collections service and, if required, bad debt protection, expressed as a percentage of turnover. It is the subject of a formal quotation after our member gains an understanding of a business and the workload to be undertaken. It is commonly between 0.75% and 2.5% of turnover.

For the finance provided in advance of collections, there is usually a discount charge calculated on the day-to-day usage of funds. It is likely to be comparable with normal secured bank overdraft rates. This type of finance is generally of interest to start-up and SME sized companies.

For more information on any of the subjects contained in this brochure please visit the ABFA website at www.abfa.org.uk or contact the ABFA direct on **0208 332 9955**.

INVOICE DISCOUNTING

If a business already practices sound credit management, and has the staff and systems to generate rapid customer collections, the factor's skills will not be required. However, there may still be a need to turn debtors into cash more rapidly and generate the maximum working capital from the sales ledger balance.

Invoice Discounting is the ideal solution for this scenario. Immediate cash is available for up to 80-85% of approved invoices. However, responsibility for the sales ledger operation remains with the organisation and the service is normally undisclosed to customers. Payments that companies receive are paid into a bank account administered by the invoice discounter, after which the company are credited with the balance, less charges. In addition, some ABFA Members are willing to include bad debt protection in the service. It may also be possible to use the service for export sales.

The administration charge may be a flat monthly fee or a percentage of turnover. It is the subject of a formal quotation after a member gains an understanding of the business requirements.

As with factoring, for the finance provided in advance of collections, there is normally a discount charge calculated on the day-to-day usage of funds. Again, it is likely to be comparable with normal secured bank overdraft rates.

ASSET BASED LENDING

For larger, more multi-national corporations with capital tied up in assets, an Asset Based Lending solution may be a more appropriate. This form of funding is increasingly available and offers businesses a way of releasing funds into the business, which would otherwise be inaccessible.

With this type of funding an organisation can unlock vast sums of cash that have been invested in a business infrastructure. Sales growth can immediately be taken advantage of and stock and machinery value that would otherwise have little impact on your business finance requirements can be unlocked. Therefore organisations can utilise property value without sacrificing ownership.

Many different companies from a range of industries utilise the benefits of Asset Based Lending including manufacturers, wholesalers, distributors and retailers. Asset Based Lending works very well for asset intensive businesses seeking to exploit the value within the assets for investment and growth. Asset Based Lending is also ideal for those companies that are looking to acquire other businesses. For example, the use of Asset Based Lending is increasingly widespread in MBO deals, largely because a structured Asset Based Finance package can provide more than just the funds needed to complete the initial buy-out transaction. As well as the up-front funding, it can also provide a working capital line to supply companies with sufficient working capital after the transaction has been completed.

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ABFA

Administration Office
The ABFA, Boston House
The Little Green
Richmond, TW9 1QE

Tel: 020 8332 9955

Fax: 020 8332 2585

Website: www.abfa.org.uk