

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade  
off between risk  
and reward

## Corporate Services Factoring Trust – Value Brief

Factoring has become an important tool for financing the daily business needs of UK plc. The factoring market currently accounts for around £85 billion p.a. of commercial credit in the UK alone – equivalent to 8% of annual GDP.

The origins of factoring can be found in the 19th century conventions of internal US trade where barriers of geography and communication created a need for “staging posts” at which commercial agents (known as “factors”) acted for their metropolitan principals in organising the physical distribution of trade goods to outlying settlements and dealt with on-site debt collection.

Another source was the practice of selling invoices at a discount to UK banks, which arose during the mid to early 20th century in the UK. These historic sources merged in the post-war period to create the modern factoring industry.

The factoring industry has developed a diversity of factoring transaction types to deal with the changing needs of businesses. Factoring uses some basic models of factoring activity, with an infinite variety of applications.

However, factoring has traditionally been structured in purely contractual terms. The trust has been viewed as an inconvenience, particularly trusts imposed by the Courts in unexpected circumstances.

Mardon Financial Advisers Ltd have recognised the important added value which the structured use of trusts in a commercial environment can provide. The factoring services which we offer are therefore based upon a trust platform which creates unique added value.



**MARDON**  
CORPORATE SOLUTIONS

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade  
off between risk  
and reward

## Introduction

This Product Briefing provides a summary of the factoring services and their benefits which we provide to corporate Clients in the UK.

Through This Product Briefing we:

- Provide an explanation of factoring services for those unfamiliar with them;
- Explain the key differences between our factoring services and factoring models presently available in the market;
- Illustrate the commercial advantages of becoming a Client.
- Invite you to give further consideration to forming a Client relationship with Mardon Financial Advisers Ltd.

## Corporate Factoring Services

Maximising the trade off between risk and reward is the purpose of any corporate vehicle doing business in the marketplace.

Both risk and reward are uncertain, contingent on factors mainly outside the company's control. Best corporate performance does not guarantee reward or eliminate risk.

Every corporate vehicle is subject to diverse demands emanating from the requirements of:

- Delivering consistent performance
- Maximising reward
- Minimising risk
- Optimum utilisation of business resources

To accommodate these diverse demands, Mardon are able to offer unique Corporate Factoring Services.

By solving the structural commercial problems of risk factoring arrangements whilst ensuring complete financial and fiscal reporting compliance, the Corporate Factoring Services provide a unique Value Solution.



**MARDON**  
CORPORATE SOLUTIONS

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade  
off between risk  
and reward

## Features and Benefits

### The Client:

- Substantially reduces insolvency trading risk
- Obtains secured low-cost discount financing
- Enhances corporate value
- Enjoys flexible long term benefits
- Maximises the corporate risk / reward ratio

## Maximising the Risk / Reward Ratio Risk Reward

### The Factor: -

- Does not interfere with the Client's debt management systems
- Offers transparent financing terms
- Provides flexibility of implementation
- Has its obligations secured by an independent trust
- Has no recourse to the Client's assets

Fully compliant, properly reported, totally effective like all our value solutions, the factoring Services Trust has been created to be fully compliant and permissible under trusts and tax law.

- Factoring is based on risk management and all investment involves risk.
- By providing finance which is fixed in advance, your business can plan future income and expenditure with certainty.
- We respect your confidential Customer relationships and so you will not have to disclose factoring arrangements to your customers.
- Whether you have to disclose factoring arrangements to the bank will depend upon the nature of your borrowing commitments.
- You have the contractual right to walk away from the Agreement after Year 1.
- It usually takes around 1 to 3 months to establish a factoring Client relationship.
- We will recommend legal specialists to provide you with expert independent advice on this. If you feel this proven Solution may suit your requirements, please either forward these details to your own Professional Adviser or email us at [elitesolutions@mardons.co.uk](mailto:elitesolutions@mardons.co.uk) for an initial discussion and to arrange an exploratory meeting which can include your Professional Adviser.



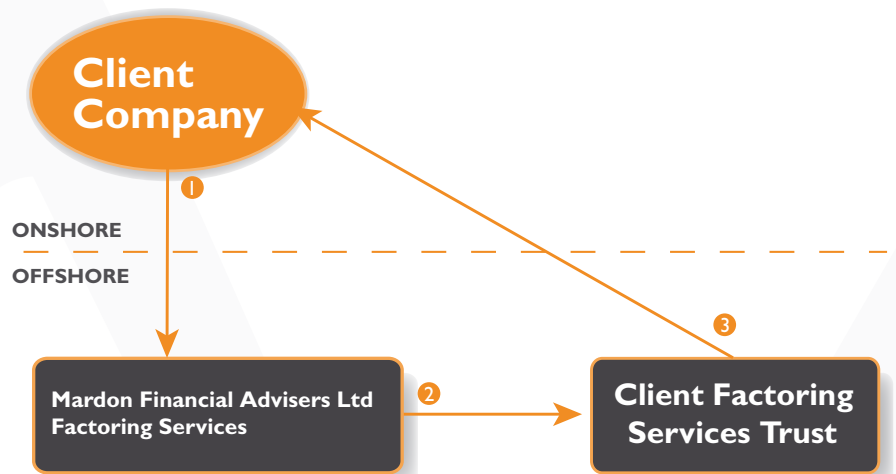
**MARDON**  
CORPORATE SOLUTIONS

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade off between risk and reward



- 1 Client Company enters into a factoring agreement
- 2 The Factoring Proceeds (net of discount) are paid to a purpose trust which has been established by the Factor.
- 3 One of the purposes of the trust is to support the business needs of the Company. Trust funds are therefore available and advance the company's business.

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade  
off between risk  
and reward

## Corporate Services Factoring Trust - Case Study

### PROBLEM

A regional based, family-owned, world-branded haulier established for over 100 years, had been suffering high staff turnover, tightening margins and some years of erratic profits. The family were concerned about the uncertainty associated with the nature of the business. They had produced a business plan, which focused on future growth through well-timed inexpensive acquisitions which had to be shelved.

Problems were, a difficult trading environment, Corporation Tax becoming due from previous difficult years and reduced profits from recent trading periods.

### SOLUTION

Shelter the company from the vagaries of the market, meet their present and past tax liabilities without incurring further Corporation Tax and create a tax efficient “war chest” to take advantage of growth opportunities.

It was decided to enter into an appropriate Commercial Factoring Services Trust.

### BENEFITS

- 1 Client remains in control of its debt book
- 2 During good trading months, factor excess profits - no Corporation Tax is payable on these sums
- 3 A fund is built up to remove the spectre of the total liability of outstanding corporation tax
- 4 Further monies accumulating in this tax free environment can be used to assist the sponsoring company with its intended acquisition programme
- 5 Monies can also be accumulated to be passed on to future generations entirely free of tax

Mardon Financial Advisers Ltd accepts no responsibility for any loss, damage, cost or taxation suffered by any person in relation to or reliance upon the matters set out in this document. Any person wishing to implement any Value solution should seek advice from an appropriate independent professional adviser.



**MARDON**  
CORPORATE SOLUTIONS

# Corporate Services Factoring Trust



“The factoring market currently accounts for around £85 billion p.a. of commercial credit in the uk”

Maximising the trade  
off between risk  
and reward

## PRIVACY POLICY

Mardon Financial Advisers Ltd is committed to protecting your privacy and security. Please be assured that any information you provide to Mardon Financial Advisers Ltd, either direct or through your independent professional adviser, will only be used by Mardon Financial Advisers Ltd to first assess how best to assist you and then to tailor a Solution to your individual requirements.

The information you provide to Mardon Financial Advisers Ltd will never be passed on to a third party unless required by law or explicitly requested by yourself or your independent professional adviser.

This Privacy Statement follows the guidelines set by the Online Privacy Alliance and is in accordance with international data protection legislation. By submitting identifying data, a visitor to our Web site is agreeing to Mardon Financial Advisers Ltd's use of such data as described in this privacy statement.

If you have any questions or concerns regarding this important aspect of our relationship, do contact us at [info@mardon.co.uk](mailto:info@mardon.co.uk).



**MARDON**  
CORPORATE SOLUTIONS