

## Debtor / Invoice Finance

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### What is debtor / invoice finance?

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With traditional sources of funding being more difficult to obtain, where should business owners look next to fund working capital for growth?

There is an alternative option that allows you to borrow against your trade debtors and gain access to much needed funds immediately.

### What are the benefits?

Debtor and invoice finance is another option you may not have considered. In addition to providing you with the extra cash you need, your business may also gain these added benefits:

- Obtain trade discounts for prompt creditor payment and improve your buying power
- Purchase additional stock to meet increasing sales orders
- Gain discounts on bulk orders of stock
- Tender for major jobs and contracts with the knowledge that you have the financial capacity to deliver
- Access a flexible source of working capital
- Reduce ATO arrears
- Expand your borrowing capacity as debtor and invoice finance doesn't require fixed assets
- Free up capital to invest further in your business or build personal wealth outside the business.

### Who can obtain it?

The best suited applicants are those that have an inherent gap between debtor payments and creditor payments. The types of industries that often experience this delay, making debtor / invoice finance particularly suitable for them include:

- Labour Hire
- Transport
- Import
- Wholesale
- Manufacturing
- Printing
- Consultants
- Business Services

For example, contract labour hire receivables are collected 30 days+ but contractors are paid weekly. Transport companies collect closer to 60 days but drivers and fuel typically need to be paid every 7-14 days. Similarly, importers pay their offshore suppliers upfront but collect their money only well after the goods land.

## **What conditions do you need to meet?**

Successful applicants typically meet the following criteria:

- Ideally expect sales turnover of greater than \$400k per annum, whether you're an existing or start up business
- Ideally have outstanding debtors to the value of greater than \$50,000
- Issue purchase orders / invoices and have signed proof of delivery confirming transaction completion
- Fall within one or similar industries listed above
- Use MYOB or an equivalent recognised accounting software package

In addition you'll need to provide the following information to allow an assessment to be completed, a suitable facility recommended and a quote on pricing to be provided:

- Last 2 year financials
- Year to date management accounts
- Aged receivables
- Aged payables
- A documented paper trail – including any invoice, purchase order, proof of delivery, remittance advice
- An estimate of the number of invoices raised per month
- Forecast sales turnover for the next 12 months
- Status of taxes, superannuation and Workcover – are they up to date, or in arrears? Are they on arrangement?

## **How can MR Finance help?**

We can take care of the entire process for you including:

- Discuss your current requirements and needs going forward
- Complete an extensive summary of the options and scenarios available
- Negotiate with our preferred debtor/invoice finance Lenders for the best deal
- Assist with preparation of paperwork required for loan applications
- Lodge loan applications with the lenders
- Respond and work through any queries the Lenders may have
- Facilitating a smooth settlement and completion of the loan process
- Review arrangements as required on an ongoing basis.

For further information, please feel free to contact Russell Sharp on 0437 074 547.