

Customer Invoice Finance Business Example

Contact

Grant Dickson
0466 618 096

AddCash Finance

Level 17, 31 Queen Street,
Melbourne VIC 3000

**“It wasn’t long
before the tax
arrears had grown
in excess of
\$1 million
and the ATO had
issued demands
and
a director’s penalty
notice.”**

The Business Challenge

A business in the Civil Works industry originally began as one man as the driver of one machine on a major state government project. Over time, demand for his services grew, and so he responded by adding machines and employees as needed. The original man, who is now the director of this business managed growth on an ad-hoc basis, with no future strategic planning on what the business required in terms of both skilled personnel and operating cashflow requirements.

This style of growth eventually led to extreme business pressure. It wasn’t long before the tax arrears had grown in excess of \$1 million and the ATO had issued demands and a director’s penalty notice.

The business found themselves in this position for several reasons. Firstly, a lack of communication existed between the original accountant and the director of the business which resulted in funds that should have been used to pay tax instead being used to purchase machinery and further grow the business. The director was also too busy “doing the job” rather than taking the necessary time needed to run the administrative side of the business. Another factor that lead to this financial position was the fact that critical financial functions were left to family members who lacked the skill and knowledge required to manage these functions. There was also no system in place to provide the skills or support these family members needed. Despite owning much of their machinery, the ATO debt meant there was no option to sell and lease back the machinery they had paid cash for. Other key items of machinery that were needed for the ever-increasing workload were being rented, adding to the extreme cash strain each month.

The Solution

It was recommended to the business that customer invoice finance be utilised to raise the majority of the money needed to pay out the ATO debt. Customer invoice finance was suggested as it can be set up and executed extremely quickly. The customer invoices were identified as a company asset not used to raise finance previously. By paying out the ATO debt in full rather than entering into a payment arrangement, the company would then be able to sell and lease back machinery it owned to inject more cash into the business.

“With the help of AddCash Finance, the business was able to clear their debt with the ATO and return the business to good financial standing.”

AddCash Finance was engaged to provide this short-term debtor financing facility and clear most of the debt owed to the ATO. As the business dealt mostly with the state government, the time to pay invoices was quite long, but they were guaranteed to be paid.

This meant AddCash Finance was able to lend 80% of the value of unpaid customer invoices upfront and return the balance to the company when the customer later paid, less the finance fees.

As the debt was so large, it was not possible to raise the entire amount using an AddCash debtor finance facility. The rest of the debt was funded via a second mortgage over the director's home, which is not required as security for debtor financing.

Results

With the help of AddCash Finance, the business was able to clear their debt with the ATO and return the business to good financial standing.

Due to the debt being cleared, machinery own by the company was able to be sold and leased back and the company no longer had to resort to renting other key items of machinery, creating a monthly saving of \$87,000.

A small, ongoing agreement for debtor financing of \$200,000 was retained with AddCash Finance to assist with the ongoing cashflow requirements and allow the business to continue focusing on growth activities.

Contact

Grant Dickson
0466 618 096

AddCash Finance

Level 17, 31 Queen Street,
Melbourne VIC 3000



About AddCash Finance

AddCash Finance is a commercial finance company which specialises in Customer Invoice Financing for small businesses. Established in 2003, AddCash Finance has been assisting businesses across Australia for over a decade.