The role of UK Export Finance
I am delighted to support this guide which gives UK businesses a useful overview of export finance and credit insurance. It covers a subject which is so critical to the UK at this time.

To improve economic growth and recovery, the government is continuing to actively encourage and support small and medium-sized businesses to increase levels of exporting, particularly to high-growth markets. We want to encourage companies that do not currently export, to do so and help those that already do, to export to more countries.

Recent research shows that exporting companies are more productive than non-exporters, with 85% of UK Trade & Investment's trade clients saying that exporting led to a 'level of growth not otherwise possible'. Such businesses achieve stronger growth and are more profitable.

To achieve our goal of rebalancing the economy through exports, we need the help of ICAEW and its members and I see this guide as an excellent tool to raise awareness of the support available for exporters which can help them achieve their export aspirations.

Of particular relevance to the export finance and credit insurance needs of UK companies, I would highlight the support available through UK Export Finance (UKEF), which works with private sector partners to help UK companies of all sizes access finance support. In the last few years UKEF has launched new products to facilitate greater access to finance for UK companies doing business overseas. The government broadened UKEF’s remit to make its offering more relevant to smaller companies and it now has a range of products and services focussed on supporting small and medium-sized companies. You can read inside about how UKEF is supporting UK companies.

Advice and assistance are also key sources of support for current and potential exporters. The government provides this not only through UKEF’s network of export finance advisers but also through UK Trade & Investment (UKTI), which has an excellent network of international trade advisers in the English regions as well as an international presence in over 100 countries to help businesses expand into new markets. The assistance available ranges from helping businesses develop marketing plans and trade online internationally, to introducing UK businesses to overseas buyers looking to purchase goods and services.

My thanks go to ICAEW for producing this comprehensive guide and I sincerely hope it will lead to more UK businesses deciding to export in 2015.
The role of UK Export Finance

UK Export Finance (UKEF) is a government department and the UK’s export credit agency.

Its role is to support UK exporters and it does this by providing risk protection insurance, facilitating finance for exporters and supporting loans to overseas buyers.

UKEF provides risk protection to exporters in the form of insurance against non-payments by overseas buyers, and against contract bonds being called by buyers, unfairly or for political reasons. It facilitates finance for exporters with guarantees to their banks, to help them provide working capital, loans and contract bonds. UKEF can guarantee loans to overseas buyers, which are repayable over two years and longer, to finance the purchase of capital/semi-capital goods and services from UK exporters. UKEF can also make loans directly to overseas buyers.

The role of UKEF

UKEF helps UK businesses by supporting their exports and helping them to expand internationally, working alongside them, and helping them to access the export finance they need to grow.

Typically, UKEF helps businesses when the private sector finance and insurance market is unable to provide full support. Exporters will often go to their bank or to specialist financial organisations to help them get finance, and to credit insurers for insurance against the risks of not being paid. But when the risk is too high or when capacity is constrained for these private sources, UKEF may be able to help. Smaller companies may, for example, have trouble securing financial support in a situation where an important contract proves too small for private underwriters.

The role of UKEF is not, however, to replace the role of the commercial markets. UKEF complements and partners with the banking and credit insurance commercial providers, and bridges the gap between what insurers and banks can support and what businesses need to confidently trade with new and expanding overseas markets. Without UKEF support, many export deals simply would not go ahead.
Supporting UK exporters

Over the last five years UKEF has provided guarantees and insurance with an exposure value of £14bn in support of over 220 exporting companies. UKEF has a total capacity of £50bn to support UK exports, and its products and services are available for over 200 overseas markets.

UKEF has become increasingly active as the UK economy pulls away from the 2008 financial crisis. It is an important contributor towards achieving economic growth in the UK and sustainable economic recovery. UKEF increased the number of facilities it has backed by a third over the last year – up to 619 facilities, involving 130 UK exporters, which were selling to a broad range of overseas markets. Individual support per case ranged from £10,000 to £500m, helping companies ranging from micro-exporters to multinationals.

The organisation has adapted to changes in the market by launching new products to facilitate greater access to finance for UK companies doing business overseas. These include products that support small and medium-sized companies, such as bond support and export working capital schemes.

A great example is the support UKEF gave to Techflow Marine which manufactures hose reels for drill ships and tankers. UKEF’s bond support scheme helped Techflow raise the performance bond it needed to perform a $5.8m contract to provide the Chinese National Offshore Oil Corporation with a custom-made oil tanker offloading system. This contract helped Techflow double its turnover.

Case studies involving UK companies JCB and BDP are also included in this publication and represent very good examples of how UKEF support has enabled businesses to fulfil their export contracts and become more profitable.

UKEF can consider support for all exporters, large and small, and for all types of UK exports, whether they are goods or services. In recent years UKEF has supported businesses in sectors such as aerospace, automotive, construction, healthcare, industrial processing, oil and gas, petrochemical, water treatment, and satellite technology.

When exporters require finance or credit insurance in situations where commercial banks and insurers cannot provide support, an easy way to check whether UKEF can help is to call its helpline or to contact UKEF’s regional advisers. Its network of Export Finance Advisers (EFAs) across the UK has recently been increased. They are your local point of contact, to support both existing exporters and businesses with export potential by pointing them to banks, credit insurers, brokers, trade support bodies and sources of government support.

Contact UKEF

If you wish to speak to an adviser directly, please find a full contact list at www.gov.uk/uk-export-finance. Alternatively, please ring the helpline number on +44 (0)20 7271 8010 or email customer.service@ukef.gsi.gov.uk
## An overview of UK Export Finance products

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Case studies

BDP
Laying the foundations for global growth

UK Export Finance worked with BDP’s bank to help them access the finance they required

Building Design Partnership Limited (BDP) is an international practice of architects, designers and engineers employing almost 800 staff across built environment sectors from retail to transport and heritage.

Some 30% of BDP’s income last year came from outside the UK – 10% came from Europe, but a number of opportunities have come from the Middle East.

International expansion

The building blocks for its export model were put in place several years ago. BDP was seeking to expand internationally in order to grow and reduce its reliance on the UK market. Exporting brought challenges, however, including requirements for advance payments bonds, performance bonds and bond insurance, all on top of their normal professional indemnity insurance cover.

“We found, especially in the Middle East, there was a requirement for performance guarantees that required cash and bank funding,” says group finance director Heather Wells. “At that time the UK banks were finding it difficult to support export finance.”

Kuwait contract

In 2013, BDP bid for a contract for an urban planning and economic study of commercial floor space in the Kuwait Metropolitan Area. The project would provide urban planning policies and regulations to direct future commercial investment to approved locations.

BDP was asked to provide a performance bond so it approached HSBC but the bank could not provide the necessary cover to meet its required needs.

However, the HSBC international team was familiar with UKEF and how it could help. HSBC therefore suggested involving UKEF.

UKEF talked through the process with HSBC, and BDP made an application for UKEF to provide a guarantee under its Bond Support Scheme. After conducting the normal checks, UKEF agreed to guarantee 50% of a bond issued by HSBC on behalf of BDP. This meant that the bond could be issued and the contract could be fulfilled, also freeing up valuable cash flow for the exporter.

Moving ahead

Heather says BDP was able to move ahead with the contract, eventually returning with a more substantial project ‘on the basis that UKEF knew more about us, more about our work, and had successfully been willing to support a services contract’.

In 2014, BDF wanted to bid for a design and construction supervision consultancy project in Qatar. Again, a performance bond was demanded. UKEF and HSBC promptly got to work to bring BDP’s support package together.

Heather says: ‘If UKEF hadn’t existed, we would not have gone for a number of opportunities in the Middle East.’

UKEF was able to ‘assist our development plans and to encourage growth faster than otherwise would have been possible,’ she says.

Heather adds: ‘Without UKEF our cash restrictions would have limited us to one opportunity at a time. With the benefit of external support we have been able to take numerous opportunities forward and therefore grow faster.

‘I would encourage everyone who is looking to grow their export business, or begin to export, to contact UKEF and see what support is available from them’.
JCB

Building business overseas

UK Export Finance provided the insurance and the confidence that JCB needed to build the business with their overseas distributor.

JCB employs around 12,000 people worldwide and is the world's third largest by volume manufacturer of construction equipment. It currently exports to 150 countries in 2,000 dealer depot locations and around 75% of its business is overseas.

Forging a relationship

When JCB started trading with a distributor in a new market in North Africa, the company agreed to supply the dealer with construction machinery for private and government clients. JCB could offer its dealer sympathetic trade credit terms, but was unable to insure this contract under its private sector whole turnover policy.

JCB wanted a good relationship with its distributor, but without trade credit insurance it would have had to ask its dealer for cash or letters of credit, which would have affected its cash flow and relationship.

We approached UK Export Finance about five or six years ago when the world markets were quite depressed and a number of countries had suffered significant financial shocks. We were finding it difficult to get commercial insurance cover to allow us to continue operating in the way that we are comfortable with, says Robert Winter, Director of Financial Solutions at JCB.

Cover in an uncertain region

With the help of its insurance broker Aon, JCB approached UK Export Finance for help using its Export Insurance Policy (EXIP). The policy can cover up to 95% of the value of an export contract, and is useful for deals in unstable or emerging markets for which private sector insurers may not have the risk appetite.

After reviewing JCB’s application and considering risk on the dealer, UK Export Finance offered cover, allowing the company to build up a trading history with its distributor.

Expanding with confidence

UKEF has enabled JCB to sell machines to markets that otherwise would be closed to us.

Robert Winter, Director of Financial Solutions at JCB
ICAEW services

Business Advice Service

Being aware of and understanding the necessary aspects of international trade are critical to a successful business looking to export.

ICAEW’s Business Advice Service offers a free, straightforward discussion with an ICAEW Chartered Accountant. There’s no obligation after your first free session, just practical thinking to help your business succeed. To find your local ICAEW firm, visit businessadviseservice.com

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