



Your essential guide to

ASSET FINANCE



Discover how to purchase new assets
without tying up your existing cash flow



Contents

Your essential guide to asset finance

Businesses need access to high quality equipment and machinery to be able to provide the best standards for their customers. But, purchasing these assets outright can put unnecessary strain on your cash flow.

This guide explores the various asset finance options available to show you how your business could purchase new assets, or refinance existing assets, to put your business in the strongest position possible.

03 What is asset finance?

04 Hire purchase

05 Finance lease

06 Asset refinance

07 How we can help

What is asset finance?

Asset finance solutions are designed specifically to help businesses to obtain the equipment and machinery they need to achieve their goals.

In order for businesses to deliver high-quality products and services it's essential to have access to the right equipment and machinery.

But, raising enough working capital to purchase these assets outright can be a challenge.

This is where asset finance can help. Asset finance solutions allow companies to spread their payments over a longer timeframe to ease the

cash flow impact, providing a more targeted option than securing an overdraft or bank loan, for instance.

When purchasing new assets, there are typically two asset finance options: hire purchase and finance leases.

Through hire purchase your business will own the asset at the end of the agreement. Alternatively, finance leases give businesses the option of

essentially borrowing the asset for a set period.

It is also possible to release cash which is tied up in existing assets for a cash flow boost.

Through asset refinance, a business can sell any of their existing assets to an asset finance company and then lease them back to provide working capital to invest in the business or further asset growth.

Asset finance in 2015

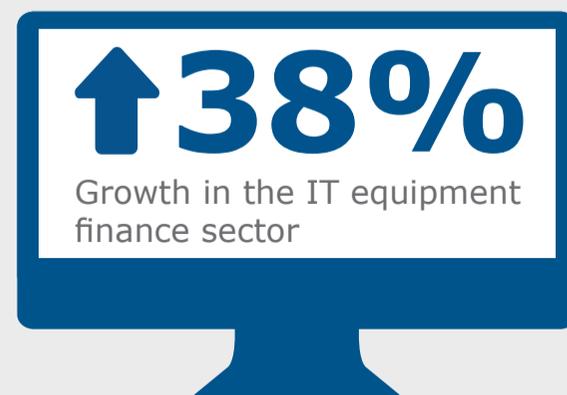
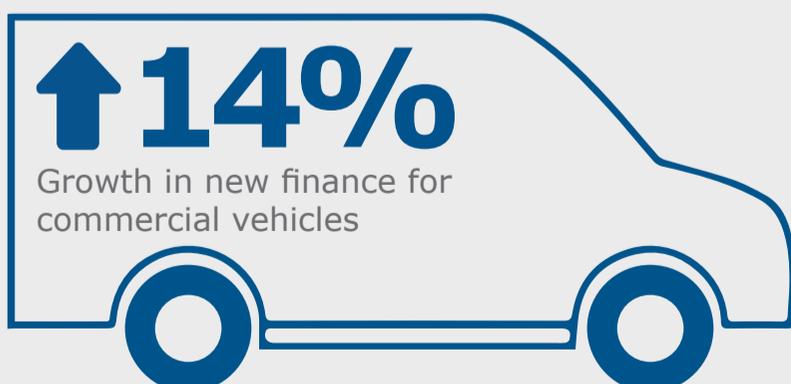
£29.1bn
provided by FLA members to businesses

↑12%

New business reached its highest level since the financial crisis - up 12% from 2014

32% of UK investment in machinery, equipment and purchased software was funded through asset finance

10% Expected growth in new business in 2016



Source: The Finance & Leasing Association (FLA)



Hire Purchase

Buy an asset with hire purchase

Hire purchase enables businesses to purchase new assets without compromising their cash flow, by staging the payments over a longer period.

How does hire purchase work?



1 Hire purchase company buys the asset you require



2 You then lease it in return for regular payments



3 At the end of the contract you choose whether to buy the asset

Whether you need to purchase new equipment in order to sufficiently meet the volume of orders that are coming in, or you want to replace dated machinery with newer versions that are more efficient, raising enough capital to buy these assets outright can be a challenge.

Through hire purchase agreements you can pay an asset finance provider through a series of instalments to avoid the need to buy the asset outright, significantly reducing the impact of the investment on your business.

You'll be responsible for the asset's maintenance throughout the duration of the hire purchase contract and, at the end of the agreement, your company will be

able to decide whether or not to buy the asset.

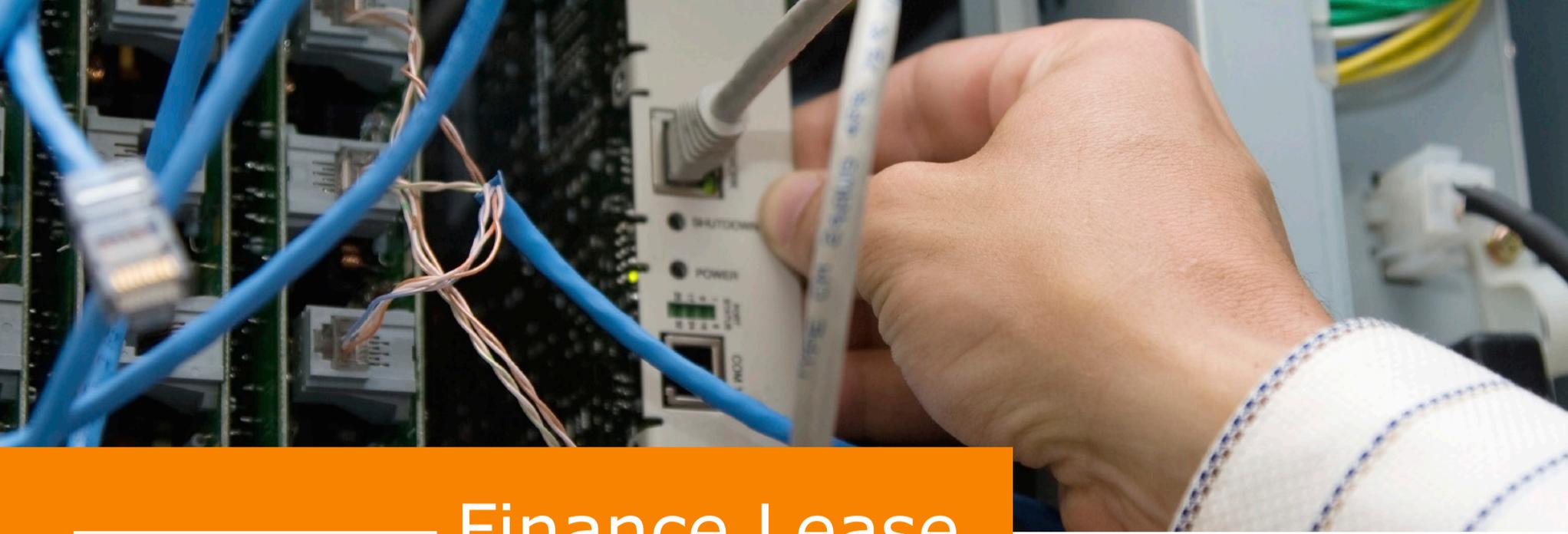
Meanwhile, the fixed monthly repayments will help with accurate budgeting.

A variation on this product is lease purchase, which works in the same way except the residual value (an estimated future value of the asset at the end of the contract, based on its depreciation) is offset until the end of the agreement.

This helps to reduce the repayments and also ensures you own the asset outright at the end of the contract.

THE BENEFITS

- Avoids the cash flow implications of buying new assets in one lump sum
- Your business can access assets of a higher specification
- The interest that's applicable is typically lower than the interest accompanying an overdraft or bank loan
- Monthly repayments allow for accurate cash flow forecasting
- It is possible to claim capital allowances against tax on commencement of the hire purchase agreement



Finance Lease

Borrow assets with finance leases

Finance leases give businesses the option of borrowing an asset for a fixed period, rather than having to buy it outright.

How does a finance lease work?



1 Asset finance company buys the asset you require



2 You then lease it in return for regular payments



3 After the lease period the asset finance company sells the asset

Through a finance lease agreement your business can enjoy all of the benefits of owning an asset without experiencing all the downsides, such as the cash flow implications of purchasing a new piece of equipment or machinery up front and the issue of asset depreciation.

Your business will pay the asset finance provider for the use of the asset through regular instalments. This can help make cash flow management easier for your business.

Meanwhile, to make the finance lease more affordable, the asset finance company claims the capital allowances on the asset.

At the end of the contract, you can

either purchase the assets or the asset finance company will sell it, possibly giving your business a share of the proceeds.

An alternative to a finance lease is an operating lease which works much in the same way.

The main difference between the two options is that, with a finance lease, the maintenance costs on the asset would be your responsibility.

Operating leases, on the other hand, transfer the liability to the asset finance company to protect you from any unexpected costs.

THE BENEFITS

- Avoid the cash flow complications of purchasing assets outright
- Use the equipment only while you need it, and avoid asset depreciation
- Benefit from fixed monthly repayments to make cash flow management simpler
- Deduct the cost from taxable income as a trading expense

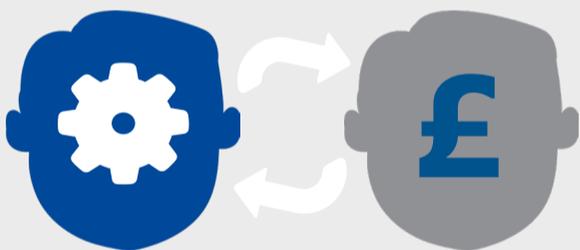


Asset Refinance

Release funding from existing assets

If your business already has lots of assets, asset refinance could release funding from them, allowing you to reinvest in further asset growth or simply improve cash flow.

How does asset refinance work?



1 You sell your asset to an asset finance provider



2 You then lease it back in return for regular payments



3 Your business benefits from improved cash flow

Whilst hire purchase and finance leases give businesses the ability to buy new vehicles, machinery or equipment, asset refinance allows companies to release funding from their existing assets to free up additional working capital for a variety of purposes.

When a business owns lots of assets there is a lot of cash tied up in them which could be better utilised in other aspects of the business's development.

Through asset refinance, businesses sell a piece of equipment or machinery to an asset finance provider before leasing it back in return for regular rental payments.

Asset refinance facilities can be

provided on a finance lease or hire purchase agreement.

As with other asset finance solutions, the fixed payments carry many benefits, including assisting with cash flow management to help businesses meet their day-to-day commitments.

The money raised can then be used to pay for everyday business expenses, fund business development or reinvest in further asset growth.

So, whether you need additional working capital to purchase more assets or you want to restructure an existing agreement, asset refinance could be a quick solution to release funds to meet your needs.

THE BENEFITS

- Provides access to working capital that's otherwise tied up
- The funding that asset refinance generates can be reinvested into further asset growth
- Repayments to the asset finance provider are made at a fixed monthly rate to help with the management of your cash flow
- Protects your company from asset depreciation

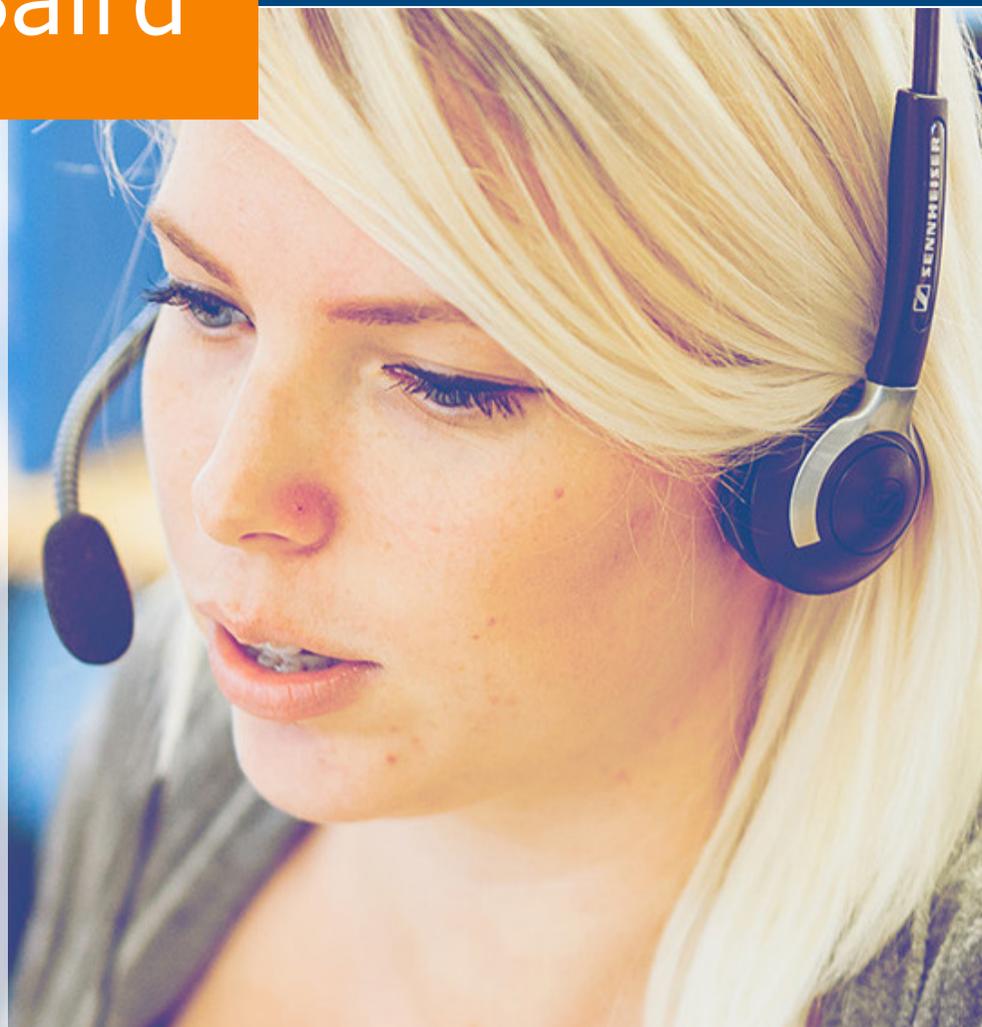
About Hilton-Baird

How we can help

When it comes to purchasing new assets, there are a number of asset finance providers available to cater for businesses' different requirements, which can make it difficult to decide which one works best for you.

As an independent commercial finance broker, we listen to your needs and work with you to introduce the facility and asset finance companies which provide the right options for your business.

To explore your options with one of our asset finance experts, call us on 0800 9774833 or email info@hiltonbaird.co.uk.



The UK's trusted independent commercial finance broker

Established in 1997, Hilton-Baird Financial Solutions has helped thousands of businesses to conquer their cash flow challenges by introducing the most suitable funding solutions on the market.

Totally independent, and with expertise across the commercial finance market and specialist knowledge of the asset finance sector, our access to a multitude of banks, independent funders and asset finance companies means we can objectively find your business the solution that fits, giving it the foundations to grow and reach its full potential.

We recognise that every business is different. As such, we work closely with you to fully understand your

business's unique funding needs and challenges so that we can identify the most appropriate facility.

Our affiliations to the leading asset based finance industrial bodies – the Asset Based Finance Association (ABFA), the National Association of Commercial Finance Brokers (NACFB) and the Finance and Leasing Association (FLA) – ensure we maintain the highest level of standards, making us the ideal partner to work with in order to realise your business's objectives.

CONTACT DETAILS

023 8070 7390
info@hiltonbaird.co.uk
www.hiltonbairdfinancial.co.uk

Hilton-Baird Financial Solutions
Woollen Hall
Castle Way
Southampton
Hampshire, SO14 2AW



