

Thames Valley Asset Finance

Specialists in Asset Finance and Business Banking Solutions



Newsletter

Periodic Newsletter – December 2008



Welcome to a special Christmas edition of our periodic newsletter.

The autumn has seen a continued high level of proposal activity here at TVAF, in the main due to the ongoing issues that the “credit crunch” is causing the business community. The purpose of this special edition of our Newsletter is to underline how we at TVAF can help clients trade through the volatility that is currently prevalent in the UK banking and finance industry. Many business owners are starting to now find that their incumbent bank(s) are reviewing debt facilities; this includes overdraft limits, factoring and invoice discounting limits as well as asset and equipment finance credit lines. This newsletter gives some sound advice on how we at TVAF are able to help you if you own a business or help your clients if you are a professional adviser to SME's. Asset finance is a good and viable alternative to traditional bank overdraft facilities; we discuss this in more detail below.

We trust you find our latest newsletter informative and look forward to working with you all in the months ahead. May I also take this opportunity to wish all of our clients, suppliers and professional partners a Merry Christmas and a Prosperous 2009.

Kind regards



Andy Wise

Andy Wise
Managing Director

FEATURE ARTICLE – What is asset finance?

Asset Finance is typically used when a business needs to acquire an item or items of capital equipment. A business will normally buy assets to fund expansion, replace existing equipment that has become costly to run or to release additional working capital. The loan facility is secured against the asset, with the finance company taking a financial interest or “lien” over the asset until such times as the loan is repaid.

What determines if an asset can be financed?

The general rule is that to qualify for asset finance an item of capital equipment should be **D.I.M.S.**.....this acronym means: -

- D** - Durable
- I** - Identifiable
- M**- Moveable
- S** – Saleable

The types of assets that can be financed can be summarised as follows;

- Printing equipment (to included Printing Presses and finishing equipment)
- Engineering equipment – CNC lathes/mills, metal fabrication equipment
- Construction equipment (i.e. yellow plant)
- Injection moulding machines
- Heavy Goods vehicles (HGV's)
- Trailers
- Fork Lift Trucks
- Buses & Coaches
- Agricultural equipment (tractors, combine harvesters)
- IT Hardware
- Wood working lathes
- Cars
- Light Commercial vehicles
- Restaurant/kitchen equipment, furniture
- Marine and aviation craft for business and private use

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From page one

FEATURE ARTICLE – What is asset finance?

What are the benefits of a business using asset finance?

A business may elect to use asset finance for a variety of reasons, these can include:-

- Improve working capital – i.e. don't use a bank overdraft to fund long life assets, finance them on a more appropriate facility
- Protect cash reserves – same principle as above, don't use your own cash to finance assets, use structured asset finance instead
- Fund the cost of an asset over its working life – minimises impact on cash-flow (i.e. if it will last 5 years, finance it over 5 years)
- Tax efficient – enhanced first year capital allowances are available on certain assets – reduces Corporation Tax liability
- VAT on purchase price can be spread over the term of the loan with certain asset finance facilities, thus assisting cash-flow
- Interest charges can be offset against tax – creates a further reduction in amount of Corporation Tax payable
- Ability to refinance existing "owned" assets - enables cash raised to be used for expansion or acquisition costs

What type of businesses and business sectors can use asset finance?

We are able to arrange asset finance facilities for sole traders, partnerships, Limited Liability Partnerships (LLP's), Limited Companies and PLC's. This extends to certain types of charities, educational bodies (i.e. schools) and company directors purchasing cars in their own personal name for tax (benefit in kind) purposes. TVAF provides finance for businesses operating in many different sectors to include but not limited to:-

| | |
|-----------------------------|----------------------|
| Agriculture | Manufacturing |
| Construction & Demolition | Medical & scientific |
| Distribution | Plant Hire |
| Engineering | Printing |
| Equipment sales | Recycling |
| Food preparation/production | Telecoms |
| Haulage | Transport |
| Hotels | Vehicle Hire |
| IT | Warehousing |
| Leisure | Waste disposal |

What sort of information does a business need to supply to get an asset finance facility approved?

Once a business has identified what equipment/assets it needs to purchase, Thames Valley Asset Finance will normally need the following information to get the finance facility placed with a suitable lender:-

- Set of last statutory accounts
- Management accounts and or latest bank statements
- Background on the business and it's directors
- Full details of the equipment and the supplier(s)
- Rationale for the asset purchase (why is the business investing in new plant/machinery?)

For larger or more complex transactions a full in depth proposal may be required and this can often mean a site visit by TVAF to the clients premises

What size of asset finance loan can TVAF arrange?

We have no set parameters and judge each businesses requirement on merit. However, as a guideline our minimum transaction size is £10,000 and our average is £40,000. We do however finance over £10 million of assets each year and have completed transactions as large as £1,000,000 on larger items of plant.

What if a company has an on going capital equipment acquisition program?

We have many clients who have a requirement to purchase assets throughout their trading year. This is particularly relevant in the vehicle, construction and plant hire sectors. TVAF can arrange annual credit lines with many of our finance partners, ensuring that customer always have readily available credit lines to meet ongoing capital/asset purchase programs.

What type of asset finance facility is suitable for the assets my business is purchasing?

There are a number of facilities that we offer; these include Hire Purchase, Finance Lease and Operating Lease. The tax implications and accounting treatment of the asset (on or off balance sheet) will vary accordingly. Your accountants or nominated professional advisors should be approached to ensure that you structure the asset finance agreement in a way best suited to your business.

For a full and more detailed explanation of the types of finance facilities we offer, please visit our website at <http://www.tvaf.co.uk>

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FEATURE ARTICLE – “Sale & Leaseback” explained

Sale & Leaseback is a facility that allows a business to release working capital back into its cash flow by selling assets and then leasing them back. They may wish to do this to raise cash for acquisition, merger, and project development or in some cases to ease pressure on their cash flow or working capital. In the current climate many SME's are looking at sale & leaseback as a quick and relatively easy way to repay or restructure bank overdrafts/term loans, especially with many banks now looking to reduce exposure levels with customers as they re-capitalise.

How does Sale & Leaseback work?

Initially the client provides TVAF with a list of the assets that they are looking to raise funds against. The same principle applies as with acquiring new assets, the equipment must be **D.I.M.S. (Durable, Identifiable, Moveable & Saleable)**. TVAF will then obtain desk top valuations on the assets (in most cases this is free of charge to the client), to ascertain whether lenders are confident that there is a real value in the assets. Once TVAF have the valuation, we will advise the client how much money they are likely to be able to raise against the equipment. Typically this sum is 70-85% of the asset(s) disposal/auction values. If at this stage the client feels there is sufficient cash/equity within the assets, TVAF will undertake a site visit and complete a full funding proposal, ready for submission to the most appropriate finance company.

How quickly can funds be raised?

By its very nature, a sale and leaseback transaction can be quite in depth (as detailed above). A reasonable amount of due diligence has to take place and it is common practice for the finance house (lessor) to have to get a security release from the clients (lessee) bankers (i.e. a debenture holders waiver). In addition if the equipment being re-financed is located within leasehold premises a landlords waiver is often required. As a guideline, a straightforward sale and leaseback can be completed within 30 days; complex proposals (i.e. where multiple assets are involved) will usually take longer.

What is the minimum sum that can be raised?

Given the more complex nature of a “Sale & Leaseback” facility, lenders are not keen on “small ticket” transactions. As a guideline such transactions are arranged for a minimum sum of £50,000. Our case studies below detail two recent sale & leaseback transactions that TVAF has facilitated for clients; these give a greater understanding of the transaction types most suited to refinance.

TVAF – Recent “sale & leaseback” case studies

Case study 1



Thames Valley Asset Finance recently undertook the “sale & leaseback” of a Heidelberg printing press for a commercial printer. The client wanted to raise additional cash to fund the acquisition of a small competitor and needed to move quickly to complete the purchase. The client had an existing press which was unencumbered and TVAF were able to secure £290k of funding within a 30 day timescale (proposal to completion). The facility was repayable over five years and was secured against the equipment (plus a debenture holders’ waiver from his bank) with the client providing appropriate personal security in respect of the £290,000 raised.

Case study 2



TVAF was recently approached by a professional intermediary on behalf of a client to assist with a possible “sale & leaseback” for several items of unencumbered production equipment. The client wanted to release cash for product development, which could not be financed on a core bank loan; furthermore the bank overdraft facility offered no headroom. The customer’s bank and their “in house” asset finance arm had valued the equipment at a much lower sum, so TVAF stepped in to smooth the transaction. We subsequently organised desk top valuations on the equipment and facilitated £190,000 of working capital being released back into the business.

If you are an individual or business requiring help on any aspect of asset, equipment or motor finance then we look forward to hearing from you. Similarly, we continue to welcome enquiries from banks, factors, discounters, suppliers and professional intermediaries who require advice and support in organising asset finance facilities for their clients.

Thank you for reading this special edition of our newsletter, as ever if you do not wish to be included on future editions please let us know by telephoning us on 0844 561 7422 or e-mailing enquiries@tvaf.co.uk

It just remains for me to say “seasons greetings” to everyone, thank you to all of you who have supported us during 2008 we look forward to developing further those relationships during 2009.