



GUIDE TO FINANCING YOUR GROWING BUSINESS

www.hcfl.co.uk/resources

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0345 450 1966

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Grow your business with asset finance

If your business growing, you may need to invest in tangible assets – be that office equipment, manufacturing equipment, cars or specialised vehicles. Asset finance presents an affordable, secure means of financing that growth.

Asset finance is a type of funding widely used by businesses to invest in the equipment they need for growth. It usually involves a regular payment over an agreed period, avoiding the full cost of buying outright. The most common types of asset finance are leasing and hire purchase, but there are different types of finance to suit your individual needs. The assets themselves may be equipment, machinery, technology or vehicles.



Asset finance was used for over 33% of UK investment in machinery, equipment and purchased software in 2017

Source: FLA

Around one in three small businesses in the UK that have any external borrowing use asset finance. Asset finance is:

A flexible alternative to conventional bank lending

Secured wholly or largely on the asset being financed, reducing the requirement for additional collateral

Secure for the user, as the finance cannot be recalled during the life of the agreement

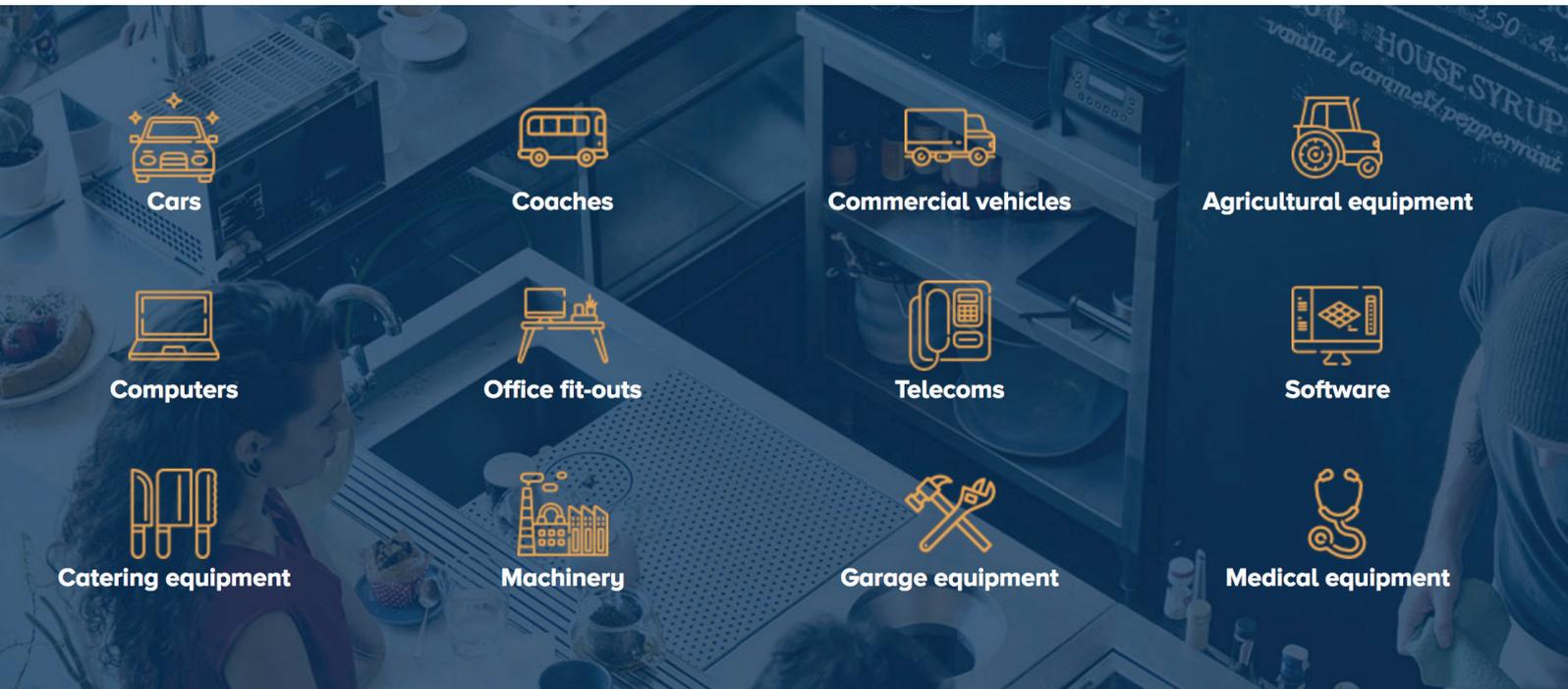
Sustainable because you have the option to update equipment at the end of the lease

Complementary to other business funding, such as invoice finance

A way to benefit from capital allowances that can be claimed on certain assets

Get finance for a wide range of assets

Asset finance can be used to support investment in almost any business activity. From hard assets to invoices and even marketing spend, there are a wide range of solutions available no matter how big your business is.



“When we approached our bank for a short-term loan they were less than helpful. Luckily, we found Halo quite the opposite – within 48 hours we had funds in our account”

Director,
EcoEgg

Benefits you can't afford to miss out on

Asset finance allows you to spread the cost of your investment over time. That means you can invest in the equipment you need now, without tying up working capital or putting pressure on cash reserves.



1

Release tied up cash

Asset finance offers you the opportunity to borrow against assets that you already have in your business. You can put these assets to work to release cash flow

2

Avoid depreciation risk

With asset finance you only pay for the asset for the duration of its useful life. In many contracts, the lender takes the risk on the future value of the asset

3

Eliminate uncertainty

Most asset finance contracts enable you to have one fixed payment each month. You can even use it to consolidate your existing debts into one payment

4

Spread the cost over time

Financing the purchase of your assets means that you can avoid tying up valuable cash in your business. The cost is spread over the useful life of the asset

5

Additional credit lines

Asset finance contracts are independent of your existing banking facilities, therefore any current borrowing arrangements are unaffected

6

Quick lending decisions

We can achieve lending decisions within as little as one business day, far quicker than your bank. 95% of Halo's applications are approved first time

Different types of finance to suit your needs

Asset finance can be arranged in many different forms. Our team of experts works closely with your business to understand the best possible funding facility for your needs.



Hire Purchase (HP)

Over the course of a hire purchase agreement you make regular payments and have the option to buy your asset at the end of the contract.

You choose the deposit (typically 10% – 50%) and payments are fixed for the agreed period (typically 12 – 60 months).

You can structure your payments to fit your cash flow. For example, reduce your regular payments but pay a final lump sum – a ‘balloon payment’.

Alternatively, Variable Rate HP allows you to either choose either fixed payments with a variable term or variable payments over a fixed term.

With HP, your business can claim any available capital allowances.

Personal Contract Purchase (PCP)

At the end of your PCP agreement you have the option to purchase the asset by paying the residual value.

Alternatively you can part-exchange, or sell the asset privately and settle the residual, or return the asset (subject to certain conditions).

Finance lease

The full value of your lease rental can be offset against Corporation Tax. At the end of the term you can hand the asset back or sell the asset and retain a large proportion of the sale price.

Contract Hire

Up to 100% of VAT can be reclaimed on payments and the asset is returned at the end of the contract. The assets remain off balance sheet and rentals can be offset against Corporation Tax.

Operating Lease

Operating leases are particularly effective for high-value, specialised equipment, or assets you need for a specific contract.

Rental payments are based on the value of the asset over the timescale that you need it. As a result, you can link the payments directly to the income your asset generates.

Unlike a finance lease, the payments won't cover the full cost of the asset.

Compare different types of finance

Trying to work out the best solution for you can be confusing. Our handy comparison table helps you compare the types of finance to establish which type of finance is best suited to your circumstances.

	Finance lease	Hire/Lease Purchase	Operating Lease	Contract Hire	Contract Purchase
Will I own the asset at the end of the agreement?	No	Yes	No	No	Yes
Is the asset shown on my balance sheet?	No	No	Yes	Yes	No
Can I choose a fixed or variable rate?	No	Yes	No	No	No
Am I protected against the depreciating value of the asset?	No	No	Yes	Yes	Yes
Can I benefit from the Annual Investment Allowance?	No	Yes	No	Yes	Yes

“ Halo arranged lease purchase funding on two pieces of plant machinery in July, which was proposed, secured and paid to the supplier within a few working days ”

Director,
**Limpio Facilities
Management**

Take full advantage of AIA (Annual Investment Allowance)

Under the UK Government's Annual Investment Allowance scheme, you can deduct the full value of an item that qualifies for annual investment allowance (AIA) from your profits before tax

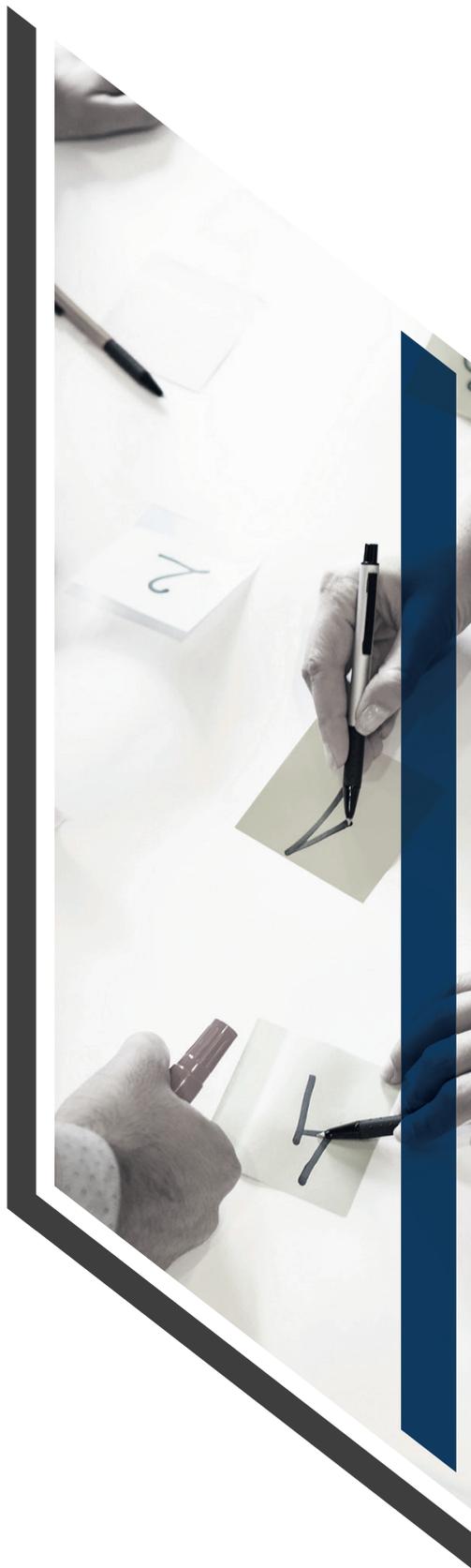
You can claim the annual investment allowance on most equipment purchases up to the AIA amount.

In the tax year 2018-2019, the AIA amount is £200,000 over a 12 month accounting period.

For purchases over £200,000, the remaining investment qualifies for capital allowances at 18% or 8%.

Annual Investment Allowance worked example:

	£300,000 total investment
	£200,000 100% AIA relief
	£100,000 18% capital allowance



What can Halo do for your business?

Halo provides asset finance & banking facilities to all types of businesses from startups to established corporations, including private and public limited companies, sole traders, partnerships and private individuals.

Unlike many other finance providers, we act both as a principal lender and as a broker. This means that we can always secure the most competitive deal for you.

Our core values are openness and integrity. We work with you to source the best possible solution for your needs.



“Halo are very helpful and efficient and we will continue to use their services. I would be pleased to recommend them for competitive finance solutions”

Director,
Arena TV

Your questions answered



Naturally you will have lots of questions when you are considering entering into a new finance arrangement. Read the answers to your most commonly asked queries below.

What is leasing?

Leasing is a contract between the funder (lessor) and the end user (lessee) for the acquisition and use of equipment. The lessor purchases equipment from a supplier chosen by the lessee and the lessee then pays rentals to the lessor in return for the use of the equipment over an agreed period, typically its working life.

Is there a minimum deal size or term?

The minimum deal size is £1,000 + VAT and lease terms are available up to 7 years, depending on the asset. IT, for example, is typically leased over a 3 year period, as the lease term reflects the useful life of the equipment.

What are the tax benefits?

Leasing is wholly allowable against taxable profits and is often cheaper than cash purchase. It is estimated that over 90% of FTSE 100 companies use leasing to acquire equipment. Rentals are classed as a business expense and are thus paid out of pre-tax profits. It is worth speaking to your accountant or financial advisor for an impartial view on how you could benefit.

How are rentals treated for VAT?

Rentals are fixed and are based on the value of the asset excluding VAT. VAT is thus payable on each rental as it falls due. Hire/lease purchase on the other hand requires VAT to be paid up-front with the first rental as from an accounting perspective, the asset is treated as being owned by the lessee from day one.

What happens at the end of the lease?

Should you wish to keep use of the equipment at the end of the lease period you can do so at a greatly reduced cost. However, should the equipment be 'out of date' at this point and you don't wish to keep it, you can simply look to replace it and commence another lease.

Can I upgrade my equipment?

The flexibility of the lease contract means that you can add to or change equipment on lease as and when you need to. The new equipment may be added to an existing arrangement or you have the option to run another lease alongside the original that finishes at the same time.

Will a lease affect my other credit lines?

Absolutely not. All of your other credit lines will remain intact and free for use when you may need them more.

Will I benefit from the manufacturer's guarantee on the equipment purchased?

Although you are simply paying rentals in return for the use of the equipment, warranties and/or guarantees are unaffected and remain exactly as they would have if you had paid cash.

Get in touch

We would love to hear from you. Get in touch with one of our business finance experts today.



VISIT US

Our head office is located in central Sussex, close to Gatwick and within easy reach of London and the M25:

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RH12 4RU

SPEAK TO US

 **0345 450 1966**

 **sales@hcfl.co.uk**

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“When we needed cash flow, Halo were there with solutions. We highly recommend them”

Director, **Pecksniff's**



Registered in England & Wales, Company no. 05467304.

Halo Corporate Finance Limited is Authorised & Regulated by the Financial Conduct Authority, number 726655.



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