

FINANCE: IT DOESN'T HAVE TO BE LIKE DIGGING FOR GOLD

Asset finance is a good way of funding capital expenditure. Here, Katie Dowse at KD Finance provides a guide to what you need to know.

As times get easier for businesses across the UK (slowly and hopefully), forward looking companies will start to think more seriously about investments so that they can take advantage of fresh opportunities, or even enter new markets.

Whatever the business environment, getting the funding is always a stressful issue – especially for SMEs. But have you ever considered asset finance?

Asset finance is one of the most effective ways of funding capital expenditure on a variety of equipment including traditional litho machines to digital print and finishing, software or LED systems.

SO, WHAT ARE THE BENEFITS OF ASSET FINANCE?

Doing away with risk: What do you do with your equipment (that can't be sold on) at the end of its life. As regulations become more stringent, this is becoming something of a nightmare for small business. With asset finance, consultants take responsibility for the disposal and management costs associated with ownership.

Release your cash: By selling assets to a financier, and then leasing them back you will free up value within that asset. This means that you won't have to draw down funds or delve into cash reserves to invest, but rather use that money to grow other areas of your business such as manpower.

Giving you another chance: If you already have significant borrowing, asset finance can open up a new avenue for you to grasp further opportunities. But even if you don't, by using asset finance, companies keep their traditional borrowing facilities such as an overdraft intact.

It's quick: As the asset is often the only security needs, applications can be actioned quickly.

And easy: You can fix your rental costs and interest over the life of the contract, so there are no nasty surprises in interest hikes.

Keeps your waste down: Rental prices will reflect usage of an asset for a portion of its life, which is ideal for financing assets where they are only used for business part of the time (things such as cars or vans).

WHAT DO YOU NEED?

Obviously there is no one size fits all when it comes to asset finance. The particular requirements of each company are very different, but in print, the two most common are finance leasing and hire purchase.

A finance lease allows you to 'rent' an asset rather than buy it, with payments calculated over an agreed term.

Hire purchase is more widely known. It is sometimes known as lease purchase and companies will take ultimate ownership of an asset at the end of paying regular instalments. In this instance, payments can be

structured around cash flow, so you could reduce your payments by paying a lump sum at the end of the contract period.

WHAT DO YOU DO NOW?

Research and research: You need to find a good financial adviser/broker. Talk to other companies and read the trade press. Go for a company that knows the print industry.

Get in early: Even before you have decided what you are going to invest in, speak to a broker. Talk your plans through and explain why you need the finance and how it will benefit business.

Make the case: Any financial contract will require the funder to understand your business and its risk profile. Make sure you have to hand a transparent credit history and any growth plans strategies

Build a relationship: Importantly, you should communicate with your broker on an on-going basis. Your business is not a stagnant entity – it can change, evolve, grow, decrease, branch off in a new direction on an almost daily basis. The more they know your business, the better they will be able to find the right deals for you.

Engaging a broker to help with all your financial requirements as your company grows, will help them understand it better and find the right financial products for you, exactly when you need them. **PS**