



Asset finance – how it works and why it makes sense

Updating machinery or equipment can be very expensive, but asset finance (leasing and hire purchase) is used by more and more businesses to acquire what they need, when they need it.

It's versatile too – if you need a piece of equipment to fulfil an order, you operate in an industry where hardware becomes obsolete very quickly, or you simply need to continue production while an existing machine is repaired, leasing would be a better option than buying.

The usual arrangement is that a leasing company would buy and own the equipment on your behalf, and you would then effectively rent its use over a predetermined period. The lease agreement is usually at a fixed interest rate, which is a real bonus when budgeting or planning future expenditure.

Also, since the agreements are secured wholly or partially on the equipment being financed, the need for additional collateral is much reduced.

Alternatively, if you want to buy and own your next piece of equipment, but avoid the cash flow impact of an outright purchase, then you could opt for **hire purchase**.

As before, a finance company would purchase the equipment on your behalf, and you would repay the cash price plus interest through regular payments. These agreements are also usually at a fixed rate, and therefore help with budgeting. At the end of the agreement, there is usually a nominal fee required for you to gain ownership of the equipment.

Leasing and hire purchase are available directly from specialist providers – most are members of the Finance & Leasing Association (FLA), so all their agreements are subject to the stringent standards set out in the FLA's Business Code of Conduct.

Gibbons International

Gibbons International is a marine supplies and export logistics business that has been established since 1921. They supply a wide range of provisions, drinks and hardware.

The family run business reported 40% growth since 2010 and in January 2015 they relocated to a 1.3 acre site so they could continue to expand and grow operations.

Gibbons process and pack meat products for catering and retail environments which requires them to have cold storage facilities. Having relocated to their new premises they needed to make sure they had all the latest facilities in place and up to the top standards.

With such impressive growth it is imperative that cash flow is protected and a lease facility for £20,000 allowed Gibbons to continue investing into their infrastructure without any impact on their capital reserves on terms that suited them.

The funding was secured within 24 hours ensuring that installation time scales were matched and Mr. Gibbons was kept informed throughout the process.

We believe that communication is the key to a positive working relationship.

Shire's North East regional account manager said, "Not all providers are capable of securing the capital for this type of asset however, as both a lender with substantial credit facilities as well as access to a panel of the biggest lenders in the market, we are best placed to take care of any project."

"We have recently built a cold storage facility with funding from Shire Leasing, they offered a competitive quotation backed with a prompt and friendly service. We would have no hesitation in recommending them."

Ian Gibbons – CEO Gibbons International



Key Recycling

Key Recycling was established in 2009 and was developed to provide specialist composting equipment to support local on-farm composting sites.

When the Government's Renewable Heat Incentive (RHI) scheme was launched, the firm saw a gap in the market for woodchip fuel in its region.

Having worked with JCB Finance since the inception of the business, Key Recycling explained their plans and secured a £500,000 HP Fixed Plus facility. This funding arrangement enabled them to put down a low initial capital outlay, pay off lump sums without penalty and have the security of owning the equipment at the end of the financial agreement.

"As a new start business I appreciated that JCB Finance took the time to look at my business and what I was trying to achieve. Although I could afford to purchase the machine outright, placing it on finance freed up cash flow so I could take on new employees. All of my machines have been financed with JCB Finance, the investment and flexibility allows me to keep up with new technologies and buy more efficient equipment."

Dale Aston, Director Key Recycling Ltd

Dunwood Travel

When a tour operator based in Dudley wanted to purchase two new state-of-the-art coaches, and create three new jobs, they spoke to Lloyds Bank about a £345,000 funding facility.

After experiencing increased demand for its extensive choice of holidays for the over 50s, the business decided to activate its expansion plans and purchase its own 53-seater coaches, and move away from subcontracting its drivers and coaches.

Lloyds Bank's Commercial Finance team provided the hire purchase facility to buy the coaches. The facility allowed the company to purchase the vehicles and pay down the full amount over an agreed period to ensure its cash flow remains fluid.

An additional £45,000 was secured by the business through the Regional Growth Fund, a Government initiative that provided grants to SMEs that want to purchase new assets and create economic growth and local employment opportunities.

"As the variety of holidays that we offer our customers has grown so has the demand for our services, and it was soon clear that we needed to expand to meet this uplift.

We previously hired vehicles for our excursions, but thanks to the invaluable support of the Lloyds Bank team we now have two new state-of-the-art coaches in our fleet, marking an exciting stage for the business as we celebrate our twentieth anniversary."

Phil Westwood - Director, Dunwood Travel

