Looking for the right business finance?

We're here to help.

Good finance is good for business.

Financing your business with one of the many different products available across Australia's commercial lending market is less about borrowing money, and more about making an investment in your business success.

Whether you're starting up, sustaining success, or wanting to make the most of new opportunities, the right finance can help fund the growth you're looking for.

With so many lenders, and so many products under each of their brands, it's important you make the most of this choice when it comes to who and what you choose when funding your business.

Please note, we do not provide tax, legal or accounting advice. This guide has been written for general informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. We encourage you to consult your own tax, legal and accounting advisers before engaging in any transaction.

Reasons to borrow for business.

There are many ways the right finance can help contribute to your business growth.

You're looking to expand.

It's not just about larger premises or new property. Expansion can mean new equipment, more staff, marketing, or diversifying your business into other areas. When conditions are right, and opportunities present themselves, finance can help realise these opportunities.

Getting your inventory right.

Having enough stock on the floor when you know you're about to get busy can be tricky. You may need to buy your inventory before you get a chance to sell it. Having the right finance means you'll be ready to make the most of new trends and seasonal demands.

Keeping the cash flowing.

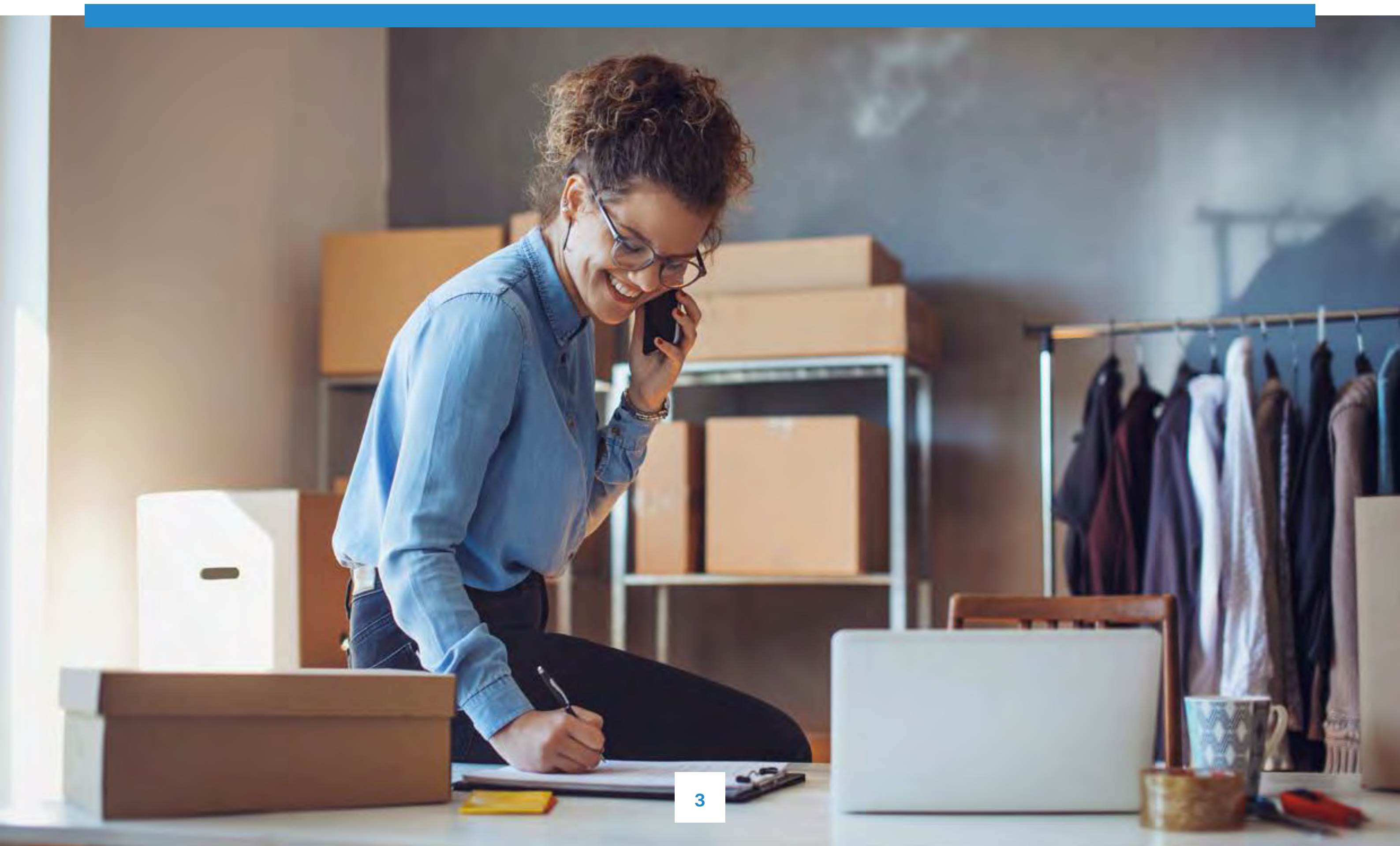
Cash flow is vital for any business. There are finance products that can be used to give you capital or equipment to grow, while maintaining the funds you need to meet your day-to-day expenses.

You need new equipment.

This is one of the most common reasons to get finance. An equipment or vehicle loan can be structured to preserve cash flow and also leverage any tax benefits your accountant or tax adviser may suggest. And because the equipment is the security, you may not need to use other assets, either personal or business, as collateral.

Time to refinance your business loan?

Business lending can be a highly competitive market, with new products and lenders entering the market all the time. This means you can make the most of these new options to obtain finance that suits your needs more, or offers more competitive terms or structures that better align to your business.



Why use a broker?

You're busy running a business. It can be so hard to find the time, yet it's so important to get it right.

The right finance can help you fuel growth and build a strong and successful business. Get it wrong, and the debt can often have the opposite effect. You don't want your earnings being exhausted by your repayments, instead of providing you with the cash you need to operate successfully.

In business, the right finance is so much more than just finding the lowest interest rate and reducing fees. Not only do you need the right type of finance, you need to be able to choose from the widest range of options, terms, and structure. Needless to say, there are a lot of complexities. It can be a difficult area to navigate, and to have the confidence to know you've made the right choice.

That's why using a broker like us is a smart decision. We will match the right business loan to your business needs.

We have access to a range of business loan options from a variety of lenders. This means we can help find the right loan for your business, and give you the peace of mind that you've explored the options before making the final call.

We get to know you.

Before identifying the right type of finance product to suit your goals, we will get to know you and your business. Once we've identified what you want, we will source the most suitable loan and negotiate across our lending panel to get to the right deal that works for you and what you're looking to achieve.

The latest choices.

We have access to a variety of different lenders with a choice of loan products. Because we deal with lenders day in and day out, we stay up-to-date with changes in the market and the latest business loans.

Get more from the banks.

We know how the lenders work and what they are looking for when it comes to their lending appetites. You may be surprised to hear they all have different lending objectives, parameters and processes; they all operate differently. We will help to structure your proposal, taking into account the various product types, interest rates and fee structures. And because we stay on top of changes in the lending market, we get a sense of lenders' attitudes toward a particular industry or sector. If a lender's policy or funding appetite changes in your industry, we can also help you consider appropriate strategies to ensure it is business as usual.

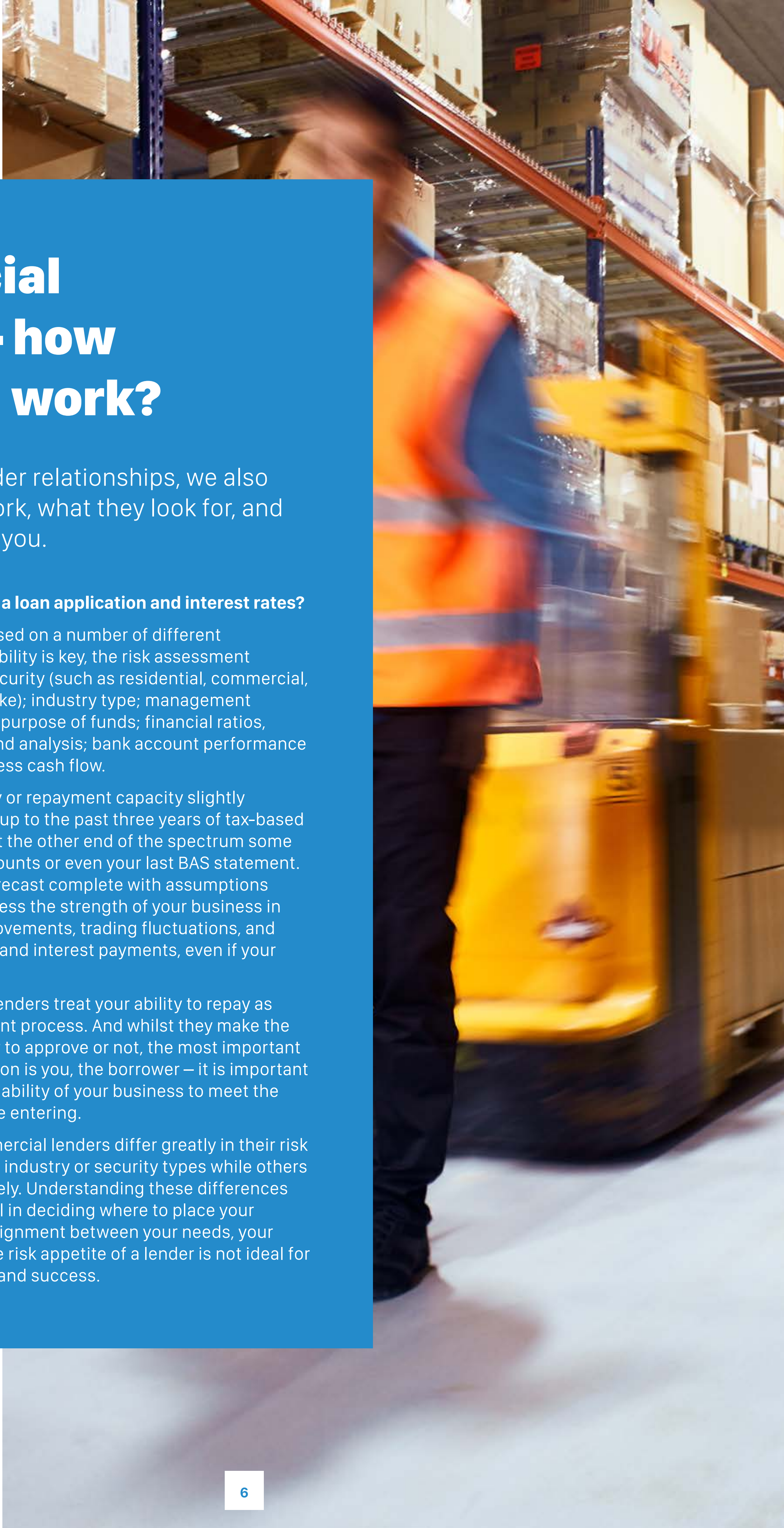
A fast turnaround.

Our understanding of how your finance is structured and the criteria lenders use to assess applications, means we can help ensure the process is as quick and hassle-free as possible.

From application to approval.

We will prepare the funding submission and work with the lender to obtain the most appropriate loan package including structure, terms, rates, and fees. We will then manage the whole process through to settlement.

All this to give you the peace of mind your business has the right funding in place, and leaving you to get on to do what you do best – growing your business.



Commercial funding – how does it all work?

Given our strong lender relationships, we also know how lenders work, what they look for, and what they need from you.

How does the lender assess a loan application and interest rates?

Commercial lending is assessed on a number of different components. Whilst serviceability is key, the risk assessment includes value and type of security (such as residential, commercial, industrial, specialised and alike); industry type; management experience; age of business; purpose of funds; financial ratios, margins, profitability and trend analysis; bank account performance and credit history; and business cash flow.

Lenders assess serviceability or repayment capacity slightly differently. Some will require up to the past three years of tax-based financial statements whilst at the other end of the spectrum some will rely on management accounts or even your last BAS statement. In some cases a cash flow forecast complete with assumptions will be required. They will assess the strength of your business in withstanding interest rate movements, trading fluctuations, and your ability to meet principal and interest payments, even if your loan is interest only.

One thing for certain is that lenders treat your ability to repay as paramount in their assessment process. And whilst they make the ultimate decision on whether to approve or not, the most important party in this finance application is you, the borrower – it is important you are comfortable with the ability of your business to meet the financial commitment you are entering.

It should also be noted commercial lenders differ greatly in their risk appetite – some specialise in industry or security types while others exclude certain sectors entirely. Understanding these differences (which are dynamic) is crucial in deciding where to place your finance application. A poor alignment between your needs, your business 'risk profile', and the risk appetite of a lender is not ideal for your future business growth and success.

How are interest rates assessed and what type of fees are applicable?

Interest rates are extremely competitive amongst lenders. Generally, the lower the assessed risk, the lower the interest rate, and similarly with the value of security offered and comprehensiveness of supporting financial data.

Lenders will charge upfront fees such as a Loan Approval fee, ongoing loan administration fees, and/or limit line fees, and set-up costs such as valuation fees and government duties, and quite often legal costs, documentation preparation cost, and settlement fees.

Why is cash flow an important consideration in finance product selection?

A general rule is to match the life of the asset being purchased with the life of a loan.

Loan terms to purchase commercial property will vary between ten and 30 years. And whilst property-based security is often required for business loans and will attract longer loan terms, lenders will take into consideration the length of lease remaining on the business premises or license, usable life of fit-out and/or franchise term.

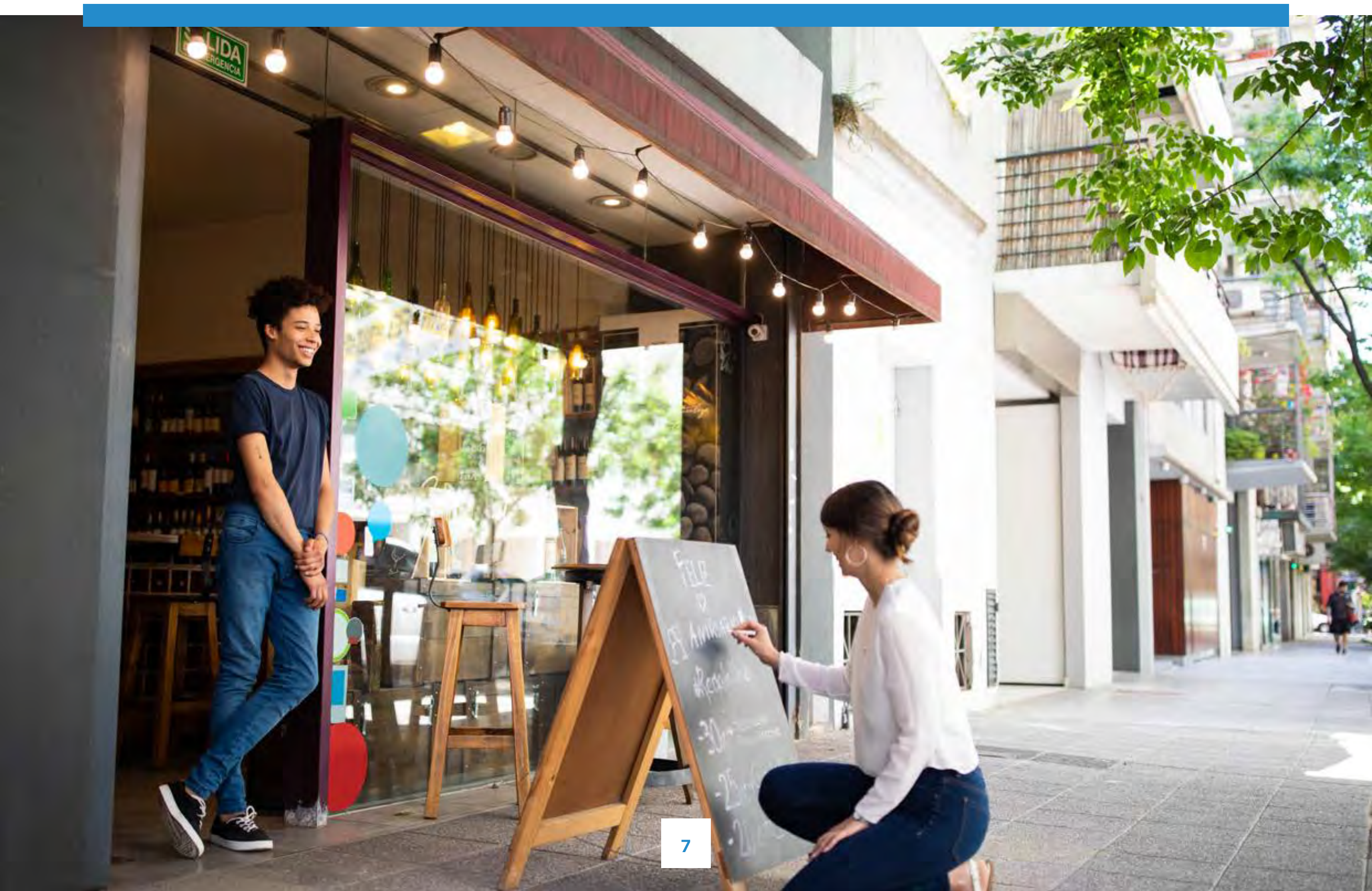
Typically, chattel mortgage finance for the purchase of a motor vehicle or equipment will have a loan term between four to seven years, which equates approximately to the usable life of the item being purchased. This means that when the equipment requires replacement, it has no residual debt outstanding and the business will be able to again purchase new equipment and access asset finance options.

Working capital facilities offer a range of choices largely dependent upon the security offered.

Working capital overdrafts are generally annually renewed and facilitate the funding gap by providing an overdraft limit that fluctuates with the cash flow cycle of a business – that is the variability caused between the timing differences between purchase of stock, sale of stock, and collection of debtors versus payment of creditors.

Similarly, invoice finance is a revolving facility that is repaid in full each time the debtor makes payment and is then renewed upon new invoicing.

Unsecured business loans are typically much shorter in duration and designed for short-term working capital needs. Whilst they provide fast access to funds, they also have relatively quick repayment terms between one month to a year (usually a three-month term) and with fortnightly, weekly, or even daily repayments.



What security will be required?

For commercial loans, lenders will usually seek landed security for business borrowings, which is quite often the owner's residence. If the borrower is a company or trust entity, they will also take a General Security Agreement over all assets of the company entity, and a Guarantee from the Directors, Beneficiaries, or Unit Holders.

For most purchases of businesses including goodwill and stock, lenders will require property security. For many business owners, this will mean a mortgage over their residence. However, in the case of approved franchise systems, some lenders will provide finance of up to 75 per cent of the value of the business.

In the case of asset finance (plant, equipment, motor vehicles, or green assets), lenders usually secure the chattel or lease finance by the asset itself, although a director's guarantee may also be required.

There are also specialised lenders who provide finance for specific purposes, such as insurance premium funding secured by the insurance policies themselves, Trade Finance secured by the stock being purchased, Debtor Finance secured by the debtors, and of course Unsecured Business Finance which can be completely unsecured or secured by owner's guarantee.

Why is the type of security important?

Matching security to the type of finance is important to ensure your risk is correctly weighted and your future borrowing capacity is not artificially constrained or restricted because of the incorrect use of your assets as security.

For example, utilising property security for a general loan to purchase plant and equipment instead of, say, a chattel mortgage, may mean that when your business needs working capital or to purchase additional property, there is insufficient security available.

This is because property can only be used to secure and access equipment finance, but it can't be used as security for a general purpose or property loan.

So, while Asset Finance interest rates may not always be as low as property security, access to finance can be the more important criteria.

What financial information is required?

Depending on lender criteria, supporting information can include an owner's personal asset and liability statement and tax returns, financial statements of the business (either tax based or management accounts, full year or interim, and up to the past three years in some cases), and cash flow forecasts.

Choose the type of finance you need.

Unlike residential finance, where the challenge is often to save you money, the right business loan may be more about helping increase your potential to make money.

In fact, residential finance and business finance couldn't be more different. For a home loan, you simply need funds to purchase a home. It's essentially one type of loan.

In business, there are many different types of loans depending on the reason for the finance, the objectives of the business owner, and the sector the business is in.

It's all about maximising your cash flow, minimising cost, and providing opportunities for growth. And there are a variety of products that may help you achieve this:

- ✓ Commercial real estate loans – property and development.
- ✓ Equipment and vehicle finance.
- ✓ Inventory finance.
- ✓ Debtor or invoice finance.
- ✓ Accounts receivable finance.
- ✓ Working capital finance.
- ✓ Franchisee loans.
- ✓ Self-managed super fund.
- ✓ Unsecured short-term business loans.
- ✓ Insurance premium funding.
- ✓ Term loans.

Commercial Real Estate Finance – Property and Development.

Like residential real estate finance, the commercial category is competitive among banks and lenders.

Your business can make the most of this to create excellent opportunities for growth and long-term investment. However, in contrast to the more familiar residential market, there are many more variables.

A commercial real estate loan can be used for anything from retail to industrial, office complexes to aged care facilities, or hotels and apartments, and the finance can be used for buying land, property development, or construction.

This means you'll need an understanding of the commercial finance market - enlisting the help of an experienced business finance broker is a good place to start.

Equipment and Vehicle Finance.

It’s a common question for small business owners; how do you get your hands on the equipment you need to grow, while still keeping the all-important cash flow and working capital?

Choosing the right equipment finance gives you a lot more benefits other than just preserving your day-to-day funds:

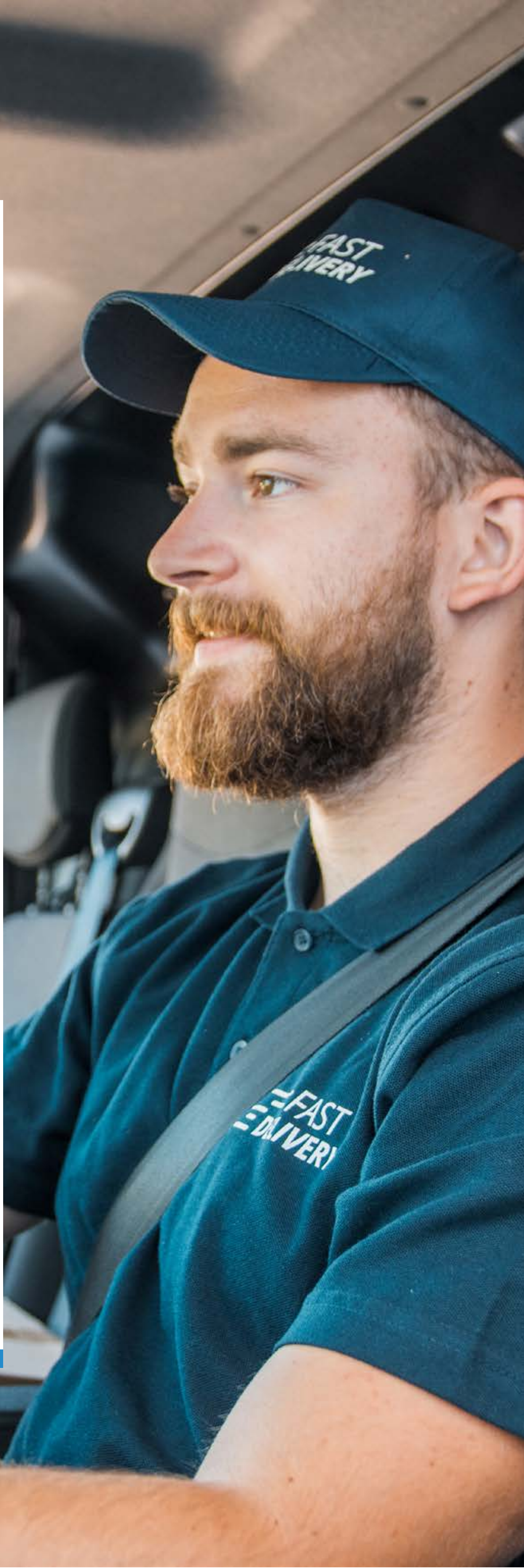
- ✓ Equipment can generate immediate income.
- ✓ Equipment finance preserves working capital.
- ✓ Repayments let you budget more accurately.
- ✓ Loans are often secured by the asset so you usually you don’t have to put your house on the line.
- ✓ There could be potential tax advantages to consider.

What can be financed?

Any plant or equipment that can help generate income for your business can usually be financed.

Some examples are as follows:

- ✓ Motor vehicles.
- ✓ Commercial vehicles.
- ✓ Plant and machinery.
- ✓ Agricultural equipment.
- ✓ Computers, photocopiers, and phone systems.
- ✓ Medical and dental equipment.
- ✓ Office equipment.
- ✓ General business equipment.



What types of equipment finance are there?

There are many different financial products available, which is why it's important to discuss with professional advisers to determine which product may be appropriate for your business needs. These options include commercial hire purchase, chattel mortgage, finance lease, novated lease, full maintained novated lease and operating lease. The more commonly used options are chattel mortgage, finance lease and novated lease. We can help you evaluate the key benefits and differences for each product.

Chattel Mortgage

A chattel mortgage is where the equipment belongs to you from the beginning and the lender has a 'charge' over the equipment that secures the loan until the final payment has been made. Because the borrower holds title to the goods, there may be taxation benefits – we recommend talking to a professional adviser (such as an accountant) on how this could best work for you and your business.

Finance Lease

A finance lease is where the lender (lessor) purchases the equipment outright. The borrower (lessee) gets to use the equipment for the term of the lease in return for lease/rental payments. Under a finance lease, the borrower (lessee) traditionally doesn't need to outlay any working capital and may also be eligible to claim a tax deduction. You should consult your tax adviser about potential tax deductions when considering a finance lease.

Novated Lease for Vehicles

A Novated Lease is a three-way agreement between an employee, their employer and a finance company. The word "Novation" refers to the substitution of a new contract in place of an old one. In other words, the employer agrees to take on the employee's lease obligations. The employer makes the monthly lease payments out of the employee's pre-tax income.

Inventory Finance.

For most manufacturers, wholesalers, or retailers, keeping stock on the floor is what keeps the business running.

Inventory finance is a short-term loan that allows you to purchase stock in advance without tying up all your cash reserves. The products you buy are the collateral of the loan, so you don't have to use your assets to secure the loan. Then you pay back the lender once you've sold the stock.

Inventory finance is another strategy to preserve cash flow and working capital by allowing you to pay suppliers before you sell the goods. But the real opportunity lies in being able purchase more stock for your busier times, like Christmas. For anyone with something to sell it, can really help boost sales volumes.

These types of loans traditionally have short timespans between 30 to 120 days, and the rates and fees can be higher, which can impact your margins. Finding the right product and terms to help you achieve your goals is essential. An important thing to remember is that lenders will want to see a strong track record of sales and a good credit history.

Working Capital Finance.

Working capital finance is a loan that helps you take care of your business by covering more immediate and day-to-day costs.

Like the name suggests, having this type of financing means you have the capital to cover vital costs like ensuring cash flow, paying suppliers on time, or covering employees' wages during slower periods.

Just as importantly, it also means you can have funds at hand when you need them to create growth and make the most of any opportunities when they happen. The money is there, if and when you need it, and usually you only start repayments when you've drawn down on it.

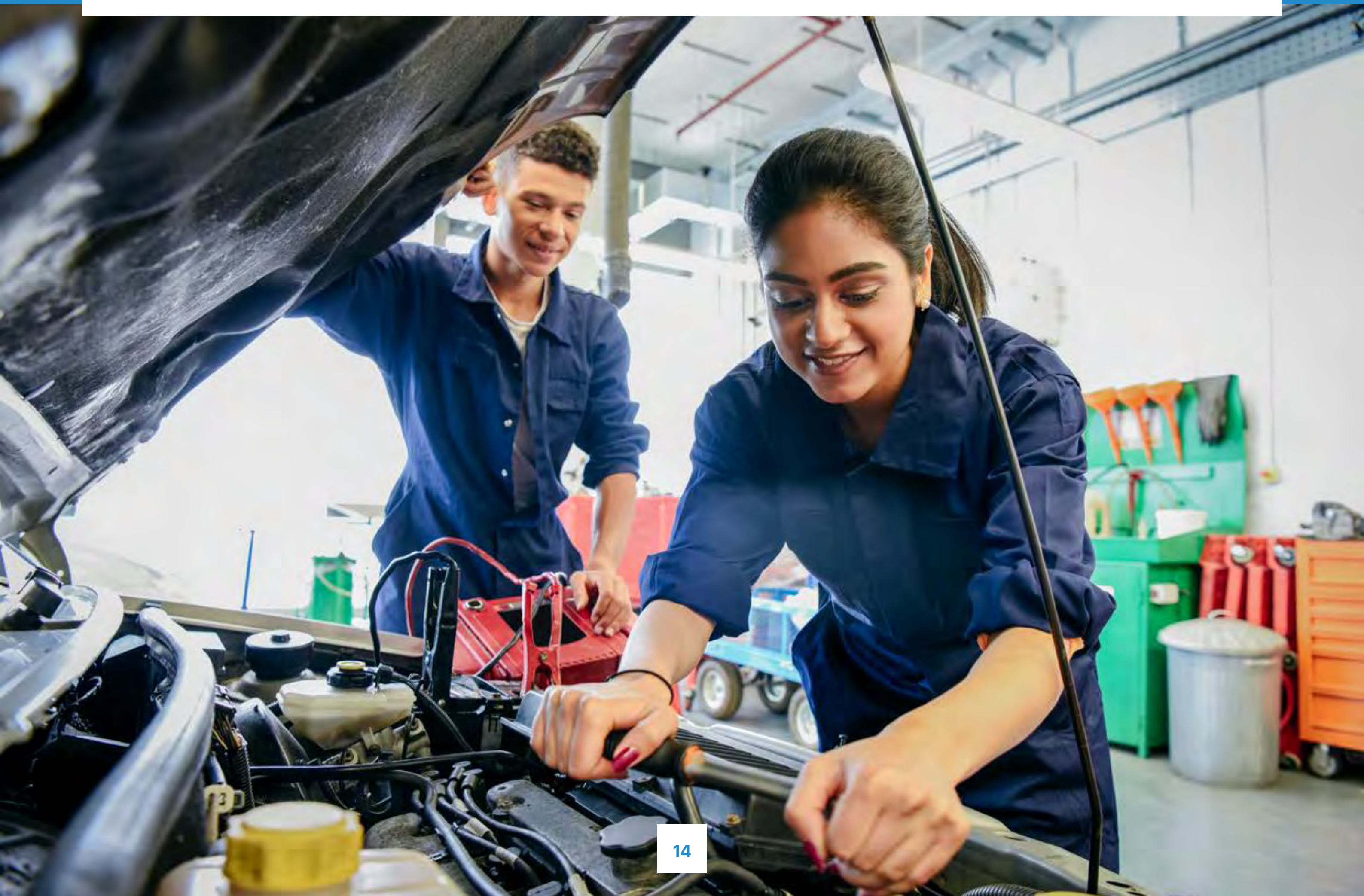
Unlike other more specific business finance products, working capital loans can be used for many different purposes.

Secured or Unsecured.

Some loans require collateral like your business assets, inventory, or even your own home or commercial property as security. However, unsecured loans are still available. The great thing about this is you don't have to bet your house on your business' success.

The main thing to remember is that because of the short-term nature of working capital finance, the interest rates and fees can be higher.

At the end of the day, good business finance should help your growth, not hinder it, we're here to help you find the right solution.



Loans to purchase a business or franchise.

Whether you're expanding a current business or starting up a new one, it goes without saying that finding the right finance product for your business or franchise is critical to your success.

The loan options out there are as wide and varied as the type of businesses that lenders are financing. Choosing the finance product that suits your needs is just the beginning. Before a lender will approve your loan, they often require a lot of detailed information. They'll want to see real numbers about things like cash flow, profitability, tax returns, sales forecasts, and growth potential of the business. From you, they'll also want to know about your qualifications, your personal assets and liabilities, and how much you'll be able to invest. It can often be a complicated and time consuming undertaking.

We can guide you through the entire process, from selecting the right loan, to putting the application together and getting final approval. We work hard to stay up-to-date on available products and understand what lenders need for your application to help maximise your chance of approval.

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We're here to help make it easier.

If there's something you don't understand or need more of an explanation, please just pick up the phone or email today.

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Finance Brokers

We are here to assist:

Call: 1300 141 453

ask.us@aapfb.com