Welcome to our quarterly newsletter

In this edition we take a look at:

- What to consider with "special offers" on finance in the lead up to the end of the calendar year
- If you're in business how you may be able to claim losses against previous year's profits.
- If you're seeking funding for business growth we look at the various options available
- Don't purchase used vehicles or equipment until you read this!
- And finally, we take a look at the latest remarketing report issued by Slattery's Asset Advisory

Also in case you are not aware the Instant Asset Write Off was significantly enhanced in the Federal Budget.

This tax benefit now allows eligible businesses to purchase eligible new and used assets (including multiple assets), and claim the full cost as an instant tax deduction for each asset purchased.

With a number of suppliers currently experiencing a shortage of stock and delivery delays if you are considering the purchase of equipment or a vehicle before Christmas, now might be the ideal time to contact us on (07) 4922 7221 to discuss your finance requirements.

As this is our final newsletter for this calendar year we would like to pass on our best wishes to you and your family for a safe and happy Christmas and New

Year.

Enjoy the read!

What to consider with "Special Offers" for finance in the lead up to the end of the calendar year!

It is coming up to that time of the year when dealers and suppliers are throwing around offers to move stock.

Whilst these offers may sound attractive you could be forgiven for thinking you're ahead of the game. However, if you've paid too much for the vehicle or equipment to get the **discount finance offer** the story may be very different.

In addition these finance offers are generally subject to conditions. Such as the term of the loan must be a certain period that may not suit your requirements.

Before you buy, it's wise to ask your dealer/supplier for their best price on a cash purchase because only then can you really compare the actual costs associated with ownership. If your purchase is a vehicle we also have access to a car buying service that can assist in tendering with dealers for their best price.

Armed with this information, you can source your own finance with confidence knowing that you have the best price and can then access finance products which could better suit your needs, particularly if you need to payout the loan ahead of time.

If you do get a finance quote have a chat with us about what you are being offered. We will be happy to review and provide our thoughts on the offer.

Business News - Did you know that you may be able to carry back losses in the current financial year against profits in previous years?

A policy announcement that didn't receive a lot of press in the recent federal budget was the ability for companies with turnover up to $5 billion **to offset tax losses against previous profits on which tax has been paid to generate a refund.**

This measure has been designed to assist a company that was profitable and tax-paying but now find themselves in a loss position due to the COVID-19 pandemic.

What this means is that losses incurred in the 2019–20, 2020–21 and/or 2021–22 financial years can be carried back against profits made in or after the 2018–19 financial years.

Eligible companies may elect to receive a tax refund when they lodge their 2020–21 and 2021–22 tax returns.

In addition there is an additional incentive for a company to take advantage of the Instant Asset write off that results in the tax loss (in the financial year they purchased and installed the equipment) to claim against past profits. This is designed to encourage more businesses to buy assets that can be fully expensed while available.

For further details, please refer **here**.

Seeking Funding for Business Growth

Sufficient capital is the life blood of any business.

Economic cycles have in the past had an impact on the availability of funding and this year has thrown into the equation the impact of Covid-19 pandemic.

Our experience across a diverse range of businesses and industries has seen some benefit from increased sales as a result of the pandemic. In the reverse we have seen some businesses severely hit.

Both having resulted in different funding arrangements. In this article we take a positive look at the ways to fund business growth.

How to fund growth?

There are basically two ways to fund growth:

- Debt
- Equity

So should you fund or seek equity?

A simple way to ascertain what your company's position is to use a financial ratio known as the Debt to Equity ratio. It is a simple calculation being the total liabilities on your balance sheet divided by total equity. This shows you what type of financing your business is more reliant on – debt or equity.

A ratio of 1:1 means you have an equal proportion of debt and equity. In general, you want a mid-to-low level ratio. The higher the ratio, the higher risk your business is to financiers.

Debt funding Options

- **Short term financing** (such as bank overdraft or short term unsecured loan)

- **Long term Finance** (term loans)
- **Asset Finance** (to purchase vehicle and equipment assets)

We can assist with arranging all business loans through Banks and other financial institutions. We even have access to business overdrafts that generally require no additional property security

Family and Friends – This is an option however we recommend that you tread carefully – The importance is to remember that despite the friendship this is a business transaction. Any arrangements should include obtaining legal and financial advice to ensure appropriate paperwork is in place that reflect the agreed arrangements. The reason for this is whilst everything can appear fine at the start it can turn sour if a problem occurs (with repayment) or a clear understanding on the arrangements is not in writing.

Equity Funding Options

- **Investors** (Including family and friends above)
- **Crowd funding**

Investors, usually want partial ownership in the business. While that means that the owner gives up ownership in the business it can prove better than debt (as usually a percentage of profits is paid). It can also mean that the investor can increase their percentage to provide additional cash into the business particularly during growth with the reliance on debt. Whilst owners often resist losing a percentage of their business in the long term they can in fact create more wealth (particularly in a growing business). To find investors it is recommended that you have a discussions with your accountant or lawyer. There are a number of investors seeking to finance start-ups or growing companies.

Crowd funding is a relative new arrival in Australia. It is governed by the Crowd-sourced Funding Act 2017. The rest of the world has been able to play in this space for years, and Australian investors can finally participate in equity crowdfunding too. The new legislation provides a regulatory framework for Crowd-sourced Equity Funding and enables a large number of individuals to make small financial investments in exchange for an equity stake in an enterprise. Under this legislation, Australian companies can raise up to $5 million from investors each year. There are serious consequences for breaching the law – so if you are considering starting a crowdfunding campaign, seek advice from your accountant and lawyer before you start to raise funds.

And other options:

- **Sell assets**
- **Government Grants** – The Australian Government and States/Territories have various grants available. You can find out more here

Which method is preferred?

This depends on your business and your debt/equity position and the stage of your business journey (start up, growth phase or mature)

Whether you are seeking a loan or seeking investors now more than ever you need to have your financial paperwork in order. More than anything, you need to have a clear understanding of your financial position.

- You need up to date current financial statements (Profit and Loss/Balance Sheet)
- A business plan
- Budget (with assumptions)
- Any other relevant information (contracts etc.)

The people providing the funding or investment need to know clearly how their investment will be repaid in terms of the arrangements you are proposing.

Don’t get caught out purchasing used assets!

We recently had an example within our Group where we were approached to provide finance against a used truck. The reason for the request was that the client had already paid cash for the truck and was seeking to refinance this amount.

The client also advised that there was not any debt over the truck they purchased.

All seemed straightforward until:

- It was discovered by us that the client had not signed any local roads authority transfer papers. They only held a tax invoice for the sale.
- A subsequent search of the Personal Property Securities Register showed a financial interest in the truck to a Major Bank.

Therefore:

- The client didn’t have title in the truck. The truck was still registered in the previous owner’s name.

- It was also determined that there was debt against the truck for $10,000 to a major Bank.

Whilst this an unusual situation (as no local roads authority transfer papers were signed) it also highlighted the importance of checking the Personal Properties Securities Register (PPSR)

About the PPSR

The PPSR is a national online register that provides important information to help protect consumers and businesses that are buying cars, boats, caravans, trucks, tractors, vans and other serialised assets. The PPSR does not include land or buildings.

A $2 PPSR search before purchase provides peace of mind that the item is:

- safe from repossession (that a financier security interest is not registered against the asset. If a security interest is registered it needs to be removed to ensure the debt has been paid and the purchaser has clear title)
- not reported as written off
- not reported as stolen
- not subject to the Takata airbag recall.(if applicable)

Find out more here

Asset News – Slattery's Quarterly Asset Remarketing Report - Q3 2020

Slattery Asset Advisory has just released their Quarterly Remarketing Report that has shown in the past quarter:

- The Road Transport Sector continues to reduce in sales volume but shows some semblance of stabilisation after a reduction of only 13% on the same period last year.
- Delays have been extended on new stock with global production capacity reduced.
- With almost all Australian businesses now eligible for a full write-off of asset purchases manufacturers supplying business assets across road transport, automotive and machinery are seeing some rebounds in certain sectors.
- Agricultural equipment sales have continued to thrive during the third quarter, which is being driven by good seasonal weather conditions, low-interest rates, high commodity prices and tax incentives.
- The automotive sector saw year to date sales reach a total of 811,464 vehicles sold, with an overall market decline of 21.8%.

Road Transport Key Point Summary

- Third quarter has seen **signs of stabilisation in the road transport market** after a reduction of 13% on the same period last year.
- After three months of consecutive reductions in sales volumes for the heavy-duty market, **September results returned to more positive territory**.
- The **light duty truck market outperformed** both the heavy and medium duty truck market in the third quarter

Automotive - Key Point Summary

- New vehicle sales continued to struggle across the country in the third quarter, with Victoria being the worst performing state.
- States that have virtually eradicated COVID-19, saw vehicle sales increase during September.
- Secondary car market sales remained strong, however have been impacted by the lack of stock available on the market.

Automotive – Best selling vehicles September 2020

Rank	Model	Volume September 2020	Change year-on-year
1	Ford Ranger	3726	up 19.6 per cent
2	Toyota HiLux	3610	up 7.3 per cent
3	Toyota RAV4	2433	up 41.8 per cent
4	Hyundai i30	1786	down 27.0 per cent
5	Mazda CX-5	1765	down 25.1 per cent
6	Kia Cerato	1599	down 20.9 per cent
7	Toyota Corolla	1462	down 34.1 per cent
8	Mitsubishi Triton	1446	down 51.8 per cent
9	Hyundai Tucson	1199	down 19.4 per cent
10	Toyota Camry	1192	up 0.5 per cent

Agriculture - Key Point Summary

- The agriculture equipment sales sector has been driven by **good seasonal weather conditions, low interest rates, high commodity prices and government tax incentives.**
- New South Wales saw the **largest increase in new tractor sales** throughout the quarter.

- Secondary agriculture equipment sales continue to **remain strong due to strong environmental conditions.**

Mining and Earthmoving - Key Point Summary

- Caterpillar Inc. saw profits in the third quarter **decline by 63% in comparison to the same period in 2019.**
- Results for equipment sales have been a mixed bag, with **Victoria being the worst performer.**
- **Auction results have remained strong** for equipment sales in the secondary market.

To view the full report and sign up to the Quarterly Asset Remarketing Report click here

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