



esdalesinclair & ASSOCIATES

...your local finance specialists

Welcome to our last quarterly newsletter for this financial year, we have had an encouraging start with some useful rain in CQ with predictions for a wetter three months than normal coming up so let's hope they are right and that it is a little more widespread.

During this quarter we were happy to once again support the Salvation Army Red Shield appeal with a donation of \$500 at their Yeppoon launch as well as being instrumental in securing Jamie Dunn AKA Aggro to assist with their various launches throughout CQ. We were also pleased to become a major supporter of the CQ University Village Festival with a sponsorship of \$500. The Festival to be held in Yeppoon from August 12 – 14th and has an impressive line up of performers including James Reyne, Pete Murray, Mark Seymour and James Morrison plus a host of other activities over the three days so it's sure to be a success.

In this quarter's newsletter we take a look how we can help finance your [WorkCover](#) expense including taking a look at [cash flow finance options](#) available to businesses. We examine how [Retention of Title Clauses](#) can still work providing they are correctly registered. We take a look at the [low interest rates being thrown around at dealers](#) and what to consider before you sign on the dotted line. We examine the [benefits available to small businesses](#) this financial year and how these will available to an increased number of businesses from 1st July 2016. Finally we take a further look at some memorable quotes in our [quarterly horsing around section](#).

As the financial year end is nearly upon us if we can assist with any of your finance requirements leading up to the end of the financial year please do not hesitate to give us a call.

Enjoy the read!



WorkCover Funding

Your work cover Invoice will be arriving shortly, it is common for business to fund this over a period of 6 – 12 months to assist with cash flow.

Some other benefits of funding include:-

- If funding is completed before 16th September a discount of 3% applies.
- Payments geared to CashFlow (weekly, fortnightly, monthly or quarterly).
- Generally Credit Charges are Tax Deductable (check with your Accountant)
- Combine with other Business Insurance funding contracts.
- Quick and simple to arrange (no need for financials etc)

In addition to WorkCover Premiums we can also finance such things as Insurance Premiums, Registration Fees, Accountant Fees Solicitors Fees.

Give us a call for a quote.



Every year in Australia 400,000 small and medium-sized businesses need cash flow finance and usually the big banks can't help.

So what is the problem? Often it is due to a lack of property security held to assist with the finance required.

The good news is that if you're a business that has a cash flow requirement we now have access to a number of finance providers that may be able to assist.

We have helped clients where they have wanted to:

- Take advantage of an opportunity in purchasing goods at a very favourable discount.
- Purchase goods to take advantage of a large order for a customer that cannot be met by cash flow.
- Clear ATO debt to enable purchase of equipment or other items (and the Bank cannot assist despite the business trading profitability).

There are generally two finance options available. These being Debtor Finance and Unsecured Lending

Debtor Finance

How does it work?

- Available to Finance against the level of invoices for Debtors Outstanding
- Can usually finance up to 80% of the Debtors Outstanding.
- There are a number of variations in how the service is delivered, ranging from Confidential [Invoice Discounting](#) (for larger, more sophisticated businesses with a dedicated finance department) to the option of [full management of accounts receivables](#) (which allows many clients to focus on growing their businesses rather than chasing outstanding invoices).

What are the benefits of Debtor Finance?

It is a powerful standalone business finance facility, which helps because:

- As your business grows the facility grows with it
- Unlike a traditional bank overdraft, there is generally no need for real estate security
- It is a standalone facility that can sit alongside other business borrowings (such as overdrafts, term loans, and asset finance)
- It helps you grow your business and increase purchasing power through improved cash flow
- There are no capital repayment requirements

Unsecured Lending

How it works?

- Finance is available for periods from 3 months up to 12 months.
- Amounts up to \$250,000 are available
- Is Unsecured – Generally only Directors Guarantees/Intercompany Guarantees (if applicable) are required
- Generally available where an ATO debt is outstanding (subject to meeting the chosen financier guidelines)

What to look at for both types of lending?

When considering this type of finance we suggest you compare the cost of the finance against the opportunity cost.

For example:

- Can you take advantage of a very favourable discount on purchasing goods and what is the cost to you if you don't take advantage compared to the cost of the finance?.

- If you are a profitable business and don't clear the ATO Debt what effect does this have on not being able to borrow for other requirements within your business.

If you have a funding requirement along the above lines please contact us. We can help discuss what you require then determine which finance solution may best suit your requirements.



[Low Interest rates from Car Dealers – How do they do that?](#)

It's on again! That traditional advertising campaign promoting low interest rates in order to generate car sales before the end of the financial year. We are hearing from some clients purchasing vehicles that Finance and Insurance Manager's in dealerships offering these promotions are being very active. They are wanting to sign up the finance for the "special offer" straight away to secure the deal. We thought it opportune to provide some "tips of the trade" that may help you before signing on the dotted line.

So how are the dealers offering reduced interest rate finance?

Typically these finance arrangements are over selected vehicles with a set term and a set balloon value (payment due at the end of the term). To obtain this reduced interest rate usually a factory incentive is paid by the factory (or dealer) to the financier who can then promote the lower interest rate.

Say the financier is offering finance over a 48 months term with

a balloon of 50% (payable at the end of the term based on the amount financed) and the interest rate quoted is 2.5% (comparison rate)

Questions to consider:

How often do you change over your Car?

- If you change over your car every 36 months then does the finance term being offered suit you?
- What are the penalties if you want to pay out your finance early? Usually if you want to exit these finance structures early the payout can be very high.

What payment amount should you have at the end of the term?

Is the payment due at the end of the term roughly what the value of the car will be at the end of the term? Loan repayments are lower if the balloon value is higher but at the end of the loan term you'll need to find more money to pay out the loan. In some cases this can be more than the value of the car at the end of the term. Is the offer of 50% relevant for the vehicle you are purchasing?

What do your repayments include?

It's not uncommon to have finance offers including costs like servicing, insurance and maintenance. Your repayments might include these costs however you will be paying increased fees and interest on the total amount that is financed.

Extended warranties

- Due to generally low margins on the sale of vehicles car dealers will offer you a variety of “add-ons”. The reason they do this is to increase the margins earned. Typically these are expensive and include things like extended warranties and insurance. Be sure you understand exactly what the loan or finance agreement payment covers and the costs.
- Ask yourself do you need an extended warranty and will you get any benefit? They are a way of the dealer adding to the cost of the car without possibly any benefit to you.

So what are the key things to watch out for based on the above?

- Obtain finance for the term that you want that suits the term that you usually change over your vehicle.
- Ask for the Price of the Vehicle. You often cannot negotiate on the price if you take out the special offer finance. You may be able to save money by negotiating a lower price. (We can also help you with access to a car buying service)
- Ensure your final payment is roughly the value that the vehicle will be at the end of the term. You don't want to be in a position where you need to find additional money at the end of the term.
- Ensure you understand how your repayments are structured and do you really need any extended warranties, insurance and services built into the repayments?

- Don't sign with a Finance and Insurance Manager at a car dealership unless you fully understand what you are signing.

And finally have a chat with us. We can help see if the finance being offered is suited to your needs.



[Small Business Concessions](#)

If you're a small businesses (company with a less than \$2 million turnover) the good news is that you have access to a number of small business concessions. This includes [simplified depreciation rules](#), immediate tax deduction for the purchase of assets costing less than \$20k (see below) and [simplified trading stock rules](#).

For the Instant Tax Write Off

- If you are registered for the goods and services tax (GST), you exclude the GST amount you paid on the asset when you calculate your depreciation amounts (and your instant asset write-off threshold is \$20,000 exclusive of any GST). This is because you claim as a credit the GST paid in your activity statement for the relevant period.
- There is no limit on the number of assets up to 20,000 that you can have the instant asset write off.
- If you have a number of items as part of a package that totals more than \$20,000 you should be able claim each item that is clearly itemized on the invoice for \$20,000 or below.

In the May budget the instant tax write off will be available from 1st July 2016, (next financial year) to businesses with up to \$10 million turnover.

For further information about the instant asset write off [click here](#)

If you are looking to take advantage of the above or have any equipment or vehicle finance requirements before the end of the financial year please contact to discuss.



A bit of fun – Famous Sport Quotes

In our last quarterly newsletter we had a fun look at some commentary sport slip ups. This quarter we take a look at some famous sports quotes.

Hockey is a sport for white men. Basketball is a sport for black men. Golf is a sport for white men dressed like black pimps ~ Tiger Woods.

Doctors and scientists said breaking the four-minute mile was impossible, that one would die in the attempt. Thus, when I got up from the track after collapsing at the finish line, I figured I was dead ~ Roger Bannister.

I've missed more than 9,000 shots in my career. I've lost almost 300 games. Twenty-six times I've been trusted to take the game-winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed ~ Michael Jordan.

There is water in every lane, so it is OK ~ swimmer Ian Thorpe on being drawn in lane five.

Whoever said 'It's not whether you win or lose that

counts' probably lost ~ Martina Navratilova.

You can make a lot of money in this game. Just ask my ex-wives. Both of them are so rich that neither of their husbands work ~ Lee Trevino.

The bowlers holding the batsman's Willey ~ a true but hilarious piece of commentary from the BBC's Brian Johnston.

We had a good team on paper. Unfortunately, the game was played on grass ~ the indomitable Brian Clough

I think my favourite sport in the Olympics is the one in which you make your way through the snow, you stop, you shoot a gun, and then you continue on. In most of the world, it is known as the biathlon, except in New York City, where it is known as winter ~ Michael Ventre.



[Latest legal News - Liquidator's unfair preference claim defeated for stock provided to company that went into Liquidation.](#)

As advised in previous editions of this Newsletter we have mentioned the importance to understand your customers and to protect yourself where you supply goods under Retention of Title clauses. The May 2016 Federal Court decision in *Hussain V CSR Building Products Limited* shows that diligent suppliers complying with the Property Securities Register ("PPSR") can ensure their Retention of Title clauses are safe for goods delivered.

In the case the Liquidator of FPJ Group (Hussain) brought an unfair preference claim against CSR, which was supplying FPJ with building materials prior to its insolvency.

Under CSR's trading terms it retains title to the materials it supplies until payment is received. This retention of title gives

CSR security over the materials (their Security Interest) until they are paid for. To obtain the benefit of its retention of title CSR complied with the PPSA and registered its Security Interest on the PPSR against FPJ.

CSR had received payments from FPJ in the period leading up to its financial collapse. The liquidator sought to recover those payments on the basis they were preferential (CSR received preferential treatment compared with other creditors as it had been paid when others weren't). However CSR argued the payments received were simply for debts secured by their retention of title clause, in other words CSR was a secured creditor (setting them apart from the pool of general unsecured creditors).

The Court agreed – a Retention of Title clause can be described as a Security and as CSR complied with the Personal Properties Securities Act and registered its Security on the PPSR it obtains the benefit.

This is great news and means PPS registered retention of title clauses can be raised as a defence to an unfair preference claim.

If we want to find out more please do not hesitate to contact us or you can contact a company that specializes in the PPSR being EDX. Further details can be found at www.edxppsr.com.au

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