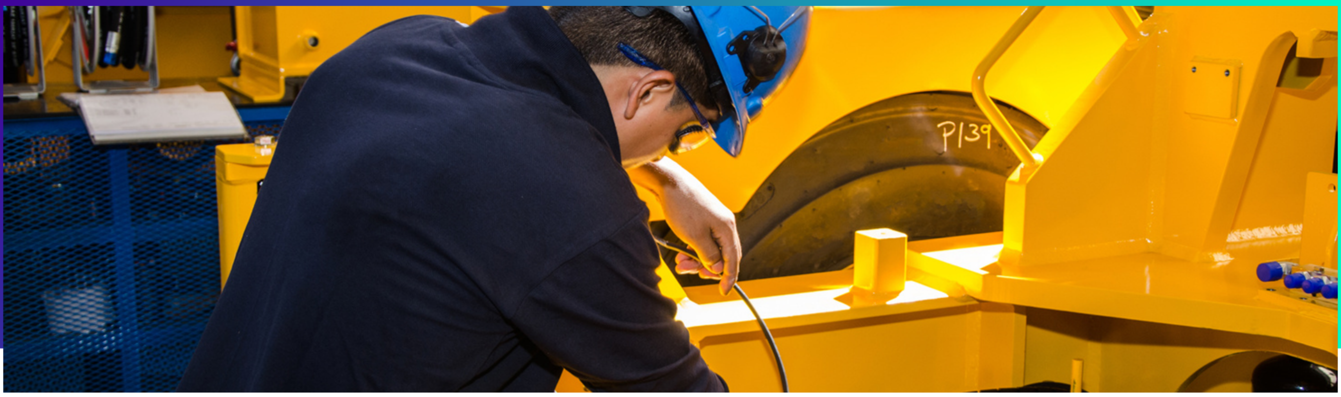


Understanding Sale & Lease back

BS2025.07.01SAL

A sale and leaseback facility is a good option for businesses who have invested capital into assets or equipment but they need to release some of the cash back.

Essentially, sale and leaseback is a financial arrangement where a company sells an asset and then leases it back from the purchaser.

The terms of the sale and leaseback agreement can be flexible depending on your situation, but typically long-term leases are more common as they provide stability and predictability for both the seller (lessee) and the buyer (lessor). There is often an option for lease renewal or purchase at the end of the lease period.

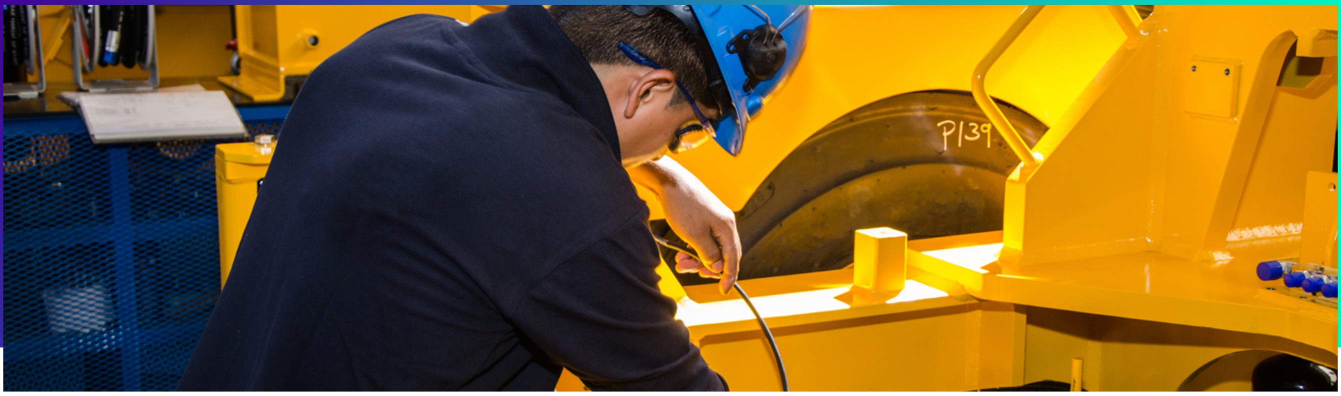
Typical assets that are eligible for sale and leaseback are:

- Plant and machinery.
- Furniture and fitout.
- Vehicles.
- IT hardware.
- Property.

The benefits

- Helps free up capital that was previously tied up in assets which can then be used for a variety of other business purposes.
- Even after selling the asset, the seller can continue using it, ensuring that their business operations aren't disrupted.
- Can offer significant tax benefits.
- When the company sells the asset, the responsibility of maintaining and managing it falls to the new owner.

Bluestone, Lakeside House, Navigation Court, Wakefield WF2 7BJ t: 0330 135 8660 e: info@bluestone.app w: www.bluestone.app



Understanding Sale & Lease back

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Things to be aware of

- Financially, a leaseback can release cashflow quickly to a business, however, over the long term, the company may end up paying more in lease payments than if it had retained ownership.
- Since the seller no longer owns the asset, they lose some control over it. They cannot make changes to the asset without the owner's (lessor's) permission.
- If the value of the asset decreases, the owner might face financial losses if they decide to sell.

Thoroughly evaluating the asset and its value, as well as the financial stability of the seller/lessee, can help mitigate risks.