



Bank of St. Helena Ltd.

www.sainthelenabank.com

BUSINESS LOANS - A GUIDE FOR APPLICANTS

Updated: 25th July 2016

Bank of St. Helena has a flexible package of loans available for businesses.

Appropriate borrowing can allow a business to seize opportunities and grow, but inappropriate borrowing can cause a business to fail. When assessing an application for a loan, the bank aims to ensure that the business does not take on debt that it cannot manage to repay and that all documentation provided demonstrates methodical preparation and realistic targets. The information required allows the bank to form its judgement on whether this is the case.

Any event of default, including your account becoming overdrawn due to insufficient funds being left to cover your loan repayments, will affect your credit rating with the Bank and subsequent loan applications.

1: Application Format

All applications for business-related lending must be made in writing, on the appropriate Bank of St Helena Ltd Business Loan Application form. An application and supporting documents can be faxed or emailed but must be signed by authorised signatories appropriate to the legal form of the borrower.

Please note that these requirements apply for all types of loan, including overdrafts.

2: Business Plan Requirements

The purpose of the business plan is to enable the bank to determine the scope and nature of the business to which it is being asked to lend, and also for it to satisfy itself that the applicant has a good understanding of the risks that may befall the business.

The plan must cover a three year period from the date the loan will be drawn. The bank does not impose a set format for a business plan. However, to be acceptable for the purposes of business lending the business plan must provide details of:

- the structure of the business,
- the product or service,
- how the loan will be utilised within the business and the expected benefits
- the targeted customer
- the growth potential of the business
- the offered collateral on which the loan will be secured
- existing borrowings by the business and the business owners ¹

¹ Details of borrowing by business owners is not required for limited companies

It is strongly recommended that the business plan also includes the following information in as much detail as is appropriate to give the bank a good understanding of the business:

- Information on how the business will operate in relation to its customers and competitors; this could include market research and competitor analysis.
- Information on the owner(s) and key staff of the business and their relevant experience; this could include CVs and information on completed and planned training.

3: Financial Forecast Requirements

Financial forecasts will allow the bank to assess the businesses ability to repay the loan and must include:

- A Cash Flow Forecast for a minimum of three years², however if a positive net cash position is not obtained within this period, an extended cash flow will be required until such time that it does
- A projected Trading, Profit & Loss Account and/or Income & Expenditure Account for the same period as the cash flow forecast
- Information on all assumptions used in compiling the forecasts
- For existing businesses, the accounts of the business for at least the previous completed financial year³, and management reports for any completed quarters since. The accounts should include: A Balance Sheet, Depreciation Schedule, Trading, Profit & Loss Account and/or Income & Expenditure Account.

4: Obtaining Assistance

Applicants may require assistance in preparing some or all of the documentation specified above.

The bank can provide some help to applicants, mostly in terms of identifying areas of the application that are of concern to it and suggesting how these areas might be better researched. Note however, that the bank cannot give advice on the actual underlying business planning.

There are a number of potential sources who provide such assistance, however Bank of St. Helena does not formally recommend any particular provider. Many of these have previous experience of helping clients prepare information for loan applications.

Applicants using a third-party provider should note that the third-party is the applicant's agent. The business loan proposal and, if approved, the facility letter are between the bank and the applicant. In the event of any difficulties the bank will hold the applicant responsible for the data provided, irrespective of whether any third parties have been involved in its preparation.

² An example cash flow forecast is available from the bank and can be downloaded from the bank's website

³ Audited, where required