

# Definition of Financial Terms

|  |  |
|--|--|
| <b>ACT</b>                             | Advance Corporation Tax.   |
| <b>ACTUARIAL METHODS OF ACCOUNTING</b> | Accounting methods where cash earned during a lease is periodically removed from the lessor's investment account according to a fixed proportion of the balance outstanding.   |
| <b>AGENT</b>                           | An authorised party acting on behalf of another party.   |
| <b>AGENCY AGREEMENT</b>                | An agreement detailing the terms under which an agent shall act.   |
| <b>AMORTISE</b>                        | Depreciate or reduce in value.   |
| <b>BULLET</b>                          | A one off payment from a lessee which can be collected at anytime during a lease.  |
| <b>BREACH OF AN AGREEMENT</b>          | Failure to comply with a term of an agreement.   |
| <b>CONDITIONAL SALE</b>                | A type of purchase where the buyer pays for the goods in agreed instalments, after which title passes automatically. Transfer of title is not dependent on exercising an option to buy, as in Hire Purchase.                         |
| <b>CONTRACT</b>                        | An Agreement between two or more parties where consideration (benefit or value) has passed.  |
| <b>CREDIT SALE</b>                     | A type of instalment sale, where possession and title pass when a purchaser contracts to pay by a series of subsequent payments.   |
| <b>CROSS BORDER</b>                    | Leases where the lessor and lessee are in different countries.   |
| <b>CT</b>                              | Corporation Tax.   |
| <b>DCF</b>                             | Discounted Cash Flow. Where the 'time value' of cash flows is taken into account, and today's value of a series of payments or receipts declines as they are moved further into the future.  |
| <b>EBITDA</b>                          | Acronym for earnings before interest, taxes, depreciation and amortisation. The same calculation can be arrived at from 'operating income before depreciation and amortisation' (OIBDA). It is one measure of 'operating cash flow'. |
| <b>ENCUMBRANCE</b>                     | A liability attached to property e.g. a lien, mortgage or charge.  |
| <b>ENDORSEMENT</b>                     | A modification to an agreement accommodating individual circumstances relating to the lease terms.   |
| <b>EQUALISED REPAYMENT</b>             | A variable rate agreement whereby the rental remains fixed, the term is adjusted to compensate for additions / reductions in the interest rate percentage.   |

|                          |   |
|--------------------------|---|
| <b>EURIBOR</b>           | Euro Interbank Offered Rate is a daily reference rate based on the averaged interest rate at which banks offer to lend unsecured funds to other banks in the euro wholesale money market (or interbank market).   |
| <b>EXECUTION</b>         | The enforcement of a court judgement.   |
| <b>EXPORT LEASING</b>    | Cross border leasing where the leased equipment is manufactured in the country of the lessor.   |
| <b>FASB '13'</b>         | 'Financial Accounting Standards Board 13' Accounting for Leases; Sets out financial accounting standards for leases in the US.  |
| <b>FHBR</b>              | Finance House Base Rate.  |
| <b>FINANCE LEASE</b>     | A lease for a non-cancellable primary period, defined under SSAP 21 as one that transfers substantially all the risks and rewards of ownership of an asset to the lessee.   |
| <b>FULL PAYOUT LEASE</b> | A finance lease.  |
| <b>FULLY AMORTISING</b>  | Where the value of an asset is written off in full over the life of an agreement.   |
| <b>GAAP</b>              | Generally Accepted Accounting Principles – the standard framework of guidelines for financial accounting. It includes the standards, conventions, and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.     |
| <b>GUARANTEE</b>         | A legally binding agreement with a party (guarantor) agreeing to guarantee some or all of the responsibilities of the lessee should the lessee fail to meet them There must be some benefit to the guarantor in agreeing to guarantee the lessee.                             |
| <b>HARDWARE</b>          | Physical product such as computer equipment, rather than services or software.  |
| <b>HIRING OR RENTING</b> | Financing, usually over a shorter period and with the equipment typically selected from the hirer, not a manufacturer.  |
| <b>HP</b>                | Hire Purchase. A type of purchase requiring the buyer to pay for the goods in instalments. Title does not pass to the hirer until the purchase option is exercised after the last instalment.   |
| <b>HOLIDAY</b>           | Often used as meaning terminal pause, but can describe a period where the lessee makes no payments during a primary period.   |
| <b>INDEMNITY</b>         | Protection given to one party by another, where there is agreement to make good any loss suffered.  |
| <b>INITIAL PAUSE</b>     | A deferred period of rentals where the lessee makes no payments at the BEGINNING of a finance agreement, there would be no terminal pause nominally.  |
| <b>IRR</b>               | Internal Rate of Return (IRR) is a capital budgeting method used by firms to decide whether they should make long-term investments. The IRR is the annualised effective compounded return rate which can be earned on the invested capital, i.e. the yield on the investment. |

---

|                                     |  |
|-------------------------------------|--|
| <b>LEASE</b>                        | A contract between a lessor and a lessee for the use of a specific asset selected from a manufacturer or vendor. The lessor retains ownership of the asset and the lessee has possession and use of the asset upon payment of specified rentals over a period of time. |
| <b>LEASE PROFILE</b>                | The number, timing and frequency of lease rentals or instalments.  |
| <b>LESSEE</b>                       | One who has possession and use of an asset under a lease contract.   |
| <b>LESSOR</b>                       | One who retains ownership of an asset under a lease contract.  |
| <b>LETTER OF COMFORT</b>            | A letter by which one party indicates its intention given a possible event. It is not legally binding like a guarantee, and usually only has moral force.  |
| <b>LIBOR (IBOR)</b>                 | London Inter-Bank Offered Rate (Inter-Bank Offered Rate). The interest rate charged by one bank to another. Covers periods ranging from 'overnight' to one year.   |
| <b>LICENCE AND ASSIGNMENT</b>       | The transfer of a finance agreement to another party. The authority to transfer is the Licence; the actual transfer is the Assignment.   |
| <b>LIEN</b>                         | The right of one party to keep in its possession property belonging to another until legal claims against the other are satisfied.   |
| <b>LEASE PURCHASE</b>               | HP or hire purchase.   |
| <b>MAINSTREAM CORPORATION TAX</b>   | Corporation Tax payable at the basic rate prevailing at the time.  |
| <b>MANUFACTURERS SUPPORT SCHEME</b> | An agreement between a manufacture of equipment and a lessor to provide financing facilities to its customers.   |
| <b>MARGIN</b>                       | A percentage above a lessor's cost of funds. May involve deducting overheads and corporation tax.  |
| <b>MASTER LEASE AGREEMENT</b>       | An agreement between a lessor and a lessee specifying the terms and conditions of all future leases or schedules.  |
| <b>NON-TAX BASED LEASING</b>        | Leases in which the lessor does not take into account capital allowances into the rental calculations.   |
| <b>NOVATION</b>                     | Where the terms of an existing agreement are transferred to a new party. Sometimes known as a Tripartite Agreement, since there are three parties involved.  |
| <b>OFF BALANCE SHEET</b>            | Usually means an asset or debt or financing activity not on the company's balance sheet.   |

---

|                                |   |
|--------------------------------|---|
| <b>OPERATING LEASE</b>         | A lease where the cost of the asset is not wholly amortised during the primary period of the lease, and which satisfies certain provisions of SSAP21.   |
| <b>PEPPERCORN RENT</b>         | A very low or nominal rent, usually applies in the secondary period of a finance lease.   |
| <b>POST-INCEPTION VARIABLE</b> | A finance rate/rental which is variable AFTER the lease being incepted.   |
| <b>PRE-INCEPTION VARIABLE</b>  | A finance rate/rental which is variable PRIOR to the lease being incepted.  |
| <b>PRE-LEASE</b>               | An agreement between a lessor and lessee prior to lease execution, committing the lessee to lease goods at a future date.   |
| <b>PRIMARY PERIOD</b>          | The first period of a finance agreement.  |
| <b>RENTING</b>                 | Financing, usually over a shorter period and with the equipment typically selected from the renter, not a manufacturer.   |
| <b>RE-PURCHASE AGREEMENT</b>   | Agreement where the manufacturer agrees to re-purchase equipment for an agreed percentage of the original cost at the end of the lease. Sometimes referred to as 'buyback'.   |
| <b>RESIDUAL VALUE BALLOON</b>  | Where an asset is amortised to a particular predicted Residual Value at the end of the primary period.  |
| <b>RETURN ON INVESTMENT</b>    | The margin over cost of funds obtained from the investment in a finance agreement.  |
| <b>SALE AND LEASEBACK</b>      | A type of leasing, where title of an asset is transferred to a lessor from a lessee and then leased back to the lessee.   |
| <b>SALES-AID LEASING</b>       | An agreement between a manufacture of equipment and a lessor to provide finance facilities to its customers.  |
| <b>SCHEDULED BALANCE</b>       | A variable rate agreement whereby the rental is variable according to percentage interest rate movements, the term is fixed. Interest rate percentages can be attributed to opening balances of capital, and collected at different or matching period to the capital amount. |
| <b>SECONDARY PERIOD</b>        | The continuation part of a finance agreement if the lessee retains equipment after the primary period has expired.  |
| <b>SEIZURE</b>                 | Confiscation of property without the owner's consent.   |
| <b>SIDELETTER</b>              | A letter or agreement which amends or varies another agreement to accommodate individual circumstances.   |
| <b>SMALL TICKET</b>            | Low value finance agreement, typically less than £25,000.   |

|                                |  |
|--------------------------------|--|
| <b>SSAP21</b>                  | Statement of Standard Accounting Practice that defines a lease, other than a finance lease, as an operating lease.                           |
| <b>SUB-LEASE</b>               | Where a lessee re-leases to a third party and the lease agreement between the original lessee and lessor remains in effect.                  |
| <b>STUB</b>                    | A one off payment from a lessee which is collected at the beginning of a lease, normally with the first rental/s.                            |
| <b>TAXABLE CAPACITY</b>        | Those profits on which a company is liable to pay mainstream corporation tax.  |
| <b>TAX BASED LEASING</b>       | Leases in which the lessor takes into account capital allowances in the calculation of lease rentals.  |
| <b>TAX EXHAUSTION</b>          | Having insufficient taxable profits to take advantage of capital allowances due.   |
| <b>TAX LOSS</b>                | The excess of allowances over and above taxable profits.   |
| <b>TERMINAL PAUSE</b>          | The period of time (at the end of primary rentals) in which no rentals are due from the lessee because there were payment/s made in advance. |
| <b>TRANCHE</b>                 | A slice or piece of business.  |
| <b>TRIPARTITE AGREEMENT</b>    | Where the terms of an existing agreement are transferred to a new party, alternatively an agreement between three parties.                   |
| <b>USEFUL LIFE</b>             | Economic life of an asset. The period of time during which an asset will have economic value and be useable.                                 |
| <b>WAIVER</b>                  | An agreement where a party agrees not to insist on a right which it would otherwise have.  |
| <b>WRITING DOWN ALLOWANCES</b> | The percentage of an asset's cost which can be offset yearly against a company's tax bill.   |
| <b>YEAR END</b>                | The end of a trading year. Many leasing companies have subsidiary companies with more than one year end.                                     |



**Americas Headquarters**  
Cisco Systems, Inc.  
170 West Tasman Drive  
San Jose, CA 95134-1706  
USA  
www.cisco.com  
Tel: 408 526-4000  
800 553-NETS (6387)  
Fax: 408 527-0883

**Asia Pacific Headquarters**  
Cisco Systems, Inc.  
168 Robinson Road  
#28-01 Capital Tower  
Singapore 068912  
www.cisco.com  
Tel: +65 6317 7777  
Fax: +65 6317 7799

**Europe Headquarters**  
Cisco Systems International BV  
Haarlerbergpark  
Haarlerbergweg 13-19  
1101 CH Amsterdam  
The Netherlands  
www-europe.cisco.com  
Tel: +31 0 800 020 0791  
Fax: +31 0 20 357 1100

Cisco has more than 200 offices worldwide. Addresses, phone numbers, and fax numbers are listed on the Cisco Website at [www.cisco.com/go/offices](http://www.cisco.com/go/offices).

©2007 Cisco Systems, Inc. All rights reserved. CCVP, the Cisco logo, and the Cisco Square Bridge logo are trademarks of Cisco Systems, Inc.; Changing the Way We Work, Live, Play, and Learn is a service mark of Cisco Systems, Inc.; and Access Registrar, Aironet, BPX, Catalyst, CCDA, CCDP, CCIE, CCIP, CCNA, CCNP, CCSP, Cisco, the Cisco Certified Internetwork Expert logo, Cisco IOS, Cisco Press, Cisco Systems, Cisco Systems Capital, the Cisco Systems logo, Cisco Unity, Enterprise/Solver, EtherChannel, EtherFast, EtherSwitch, Fast Step, Follow Me Browsing, FormShare, GigaDrive, GigaStack, HomeLink, Internet Quotient, IOS, iPhone, IP/TV, iQ Expertise, the iQ logo, iQ Net Readiness Scorecard, iQuick Study, LightStream, Linksys, MeetingPlace, MGX, Networking Academy, Network Registrar, Packet, PIX, ProConnect, RateMUX, ScriptShare, SlideCast, SMARTnet, StackWise, The Fastest Way to Increase Your Internet Quotient, and TransPath are registered trademarks of Cisco Systems, Inc. and/or its affiliates in the United States and certain other countries.

All other trademarks mentioned in this document or Website are the property of their respective owners. The use of the word partner does not imply a partnership relationship between Cisco and any other company. (0701R)