



Everything you need to know about **leasing**

Helping you choose the right road when it comes to equipment acquisition.



Cash or Lease?

The dictum across is attributed to John Paul Getty, but do you follow his advice?

It's the "age old" question, Cash or Lease?

So you pay cash for your equipment, you have your equipment but you don't have your hard-earned cash anymore. If you didn't have the cash in the first place and used your Bank facility instead, that's gone now as well, so let's hope you don't need a cash call for working capital for a while.

Ultimately there is little benefit to owning new technology, the benefits come from the use of the technology. Finance provides the affordability and technological efficiencies your business requires. All without the cash investment and the pressure this can in-turn exert.

Top Ten reasons why companies lease

There are many reasons why companies lease equipment. Equipment leasing provides flexibility and protection against technological obsolescence. Leasing allows a company to better match cash outflow with revenue production through the use of equipment. Leasing conserves valuable working capital and bank lines.

1 Purchasing Power

Equipment lease financing allows the lessee to acquire more and/or higher-end equipment.

2 Lease to Conserve Capital

They lease because they can make more money from what they buy than what it costs them, finance costs included. And they lease so they can pay while they use it instead of before.



3 Asset Management

A lease provides the use of equipment for specific periods of time at fixed payments.

4 Service Additions

Many lessees choose to structure their leases to include installation, maintenance and other services, if needed.

5 Upgraded Technology

Leasing provides companies with the ability to keep pace with technology. The lessee can upgrade or add equipment to meet ever-changing needs.

6 100 Percent Financing

With equipment leasing there is rarely a deposit required. The term of the lease can be matched with the useful life of the equipment.

7 Tax Treatment *

Leasing offers the option of deducting 100 percent of the lease payment as a business expense.

8 Specialized Assistance

Lessors are specialists in equipment leasing & financing, and understand capital equipment markets.

9 Flexibility

There are a variety of leasing products available, allowing the lessee to customize a program to address needs and requirements - cash flow, budget, transaction structure, cyclical fluctuations, etc.

10 Proven Equipment Financing Option

There is a reason why every single FTSE 100 company and all of the major accountancy firms lease. It makes sound financial sense.

* All references to taxation treatment are subject to confirmation by your professional advisers.

Questions & Answers

THE AGREEMENT

Q: What exactly is a lease agreement?

A: It is a contract between you and the finance company for the use of equipment that you have chosen through a supplier. The supplier provides you with the equipment, the finance company pay the supplier's invoice and you pay the finance company fixed regular monthly repayments over an agreed period.

Q: How long should the leasing period be?

A: The leasing period should be no longer than the expected useful life of the equipment. The lease period is mainly determined by the type of asset you are leasing. We have the ability to provide you with a tailored finance solution to meet your needs and return on investment.

Q: How frequently do you require payments?

A: We have the ability to offer various payment profiles to match your needs. Monthly or quarterly payments are typical but even annual payments can be offered in certain cases.

Q: Are the payments fixed for the period of the agreement?

A: Yes - The repayments are not affected by fluctuations in interest rates. VAT will be charged at the rate applicable at the time repayments are due. If there are any changes in taxation or writing down allowances during the period of the agreement, the finance company may vary the remaining repayments to leave them in the same financial position they had assumed at the beginning.

Q: Can I end the agreement before the end of the leasing period?

A: Yes - In most cases you will need to give us three months notice and pay all the remaining rentals less an early settlement discount. A written quotation can be provided on request. Calculations are in accordance with industry guidelines.

THE EQUIPMENT

Q: Who is responsible for insuring the equipment?

A: As soon as you take delivery of the equipment you are obliged to insure it against loss or damage. You are also liable for third party risks, including loss, damage or injury to persons or property. The finance company may ask you for proof of equipment insurance and if you do not have any, arrange it on your behalf.

Q: What happens if the equipment is stolen or damaged?

A: If the equipment is stolen or damaged you should deal with this through your insurers in the usual way. You must tell us as soon as possible if any loss or damage has occurred. If you make an insurance claim that results in the equipment being replaced, then this new equipment will belong to the Finance Company. You will need to provide us with the new serial number/s.

Q: What about maintenance of the equipment?

A: You are required under the terms of the agreement to make sure that the equipment is taken proper care of and used in accordance with the manufacturer's instructions.

THE OBJECTIONS

It is our company policy to buy

Do you make a profit?
Are you aware of the valuable tax allowances to reduce tax?*

Why tie up cash in depreciating assets?

We are a cash rich company

Use your capital for growth, create revenue and let the savings from the equipment service the lease.

Rates are too expensive

Rates are very competitive at present and with everything considered leasing works out to be the most cost effective and viable method of financing technology.

I like to pay for things up front

Do you pay your staff salaries or your business rent, 3 or 5 years in advance?

We have a facility at the bank

Leasing allows for the bank facility to stay intact, for future growth or possibly those unforeseen circumstances.

Buy what
appreciates,
Lease what
depreciates!

John Paul Getty

Why tie up **your cash**
in depreciating assets?



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