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## Glossary of Acronyms and Abbreviations

### ACT

Advance Corporation Tax.

### AOP

Assignment of Proceeds is a three party agreement specific to a Cisco Capital PO signed by a Reseller (Partner), Distributor and Cisco Capital.

### C of A (COA)

Certificate of Acceptance.

### CMFS

Cisco Management Financial Services.

### CT

Corporation Tax.

### DCF

Discounted Cash Flow. Where the 'time value' of cash flow is taken into account, and today's value of a series of payments or receipts declines as they are moved further into the future.

### DSO

Days Sale Outstanding.

### DOA

Dead on Arrival.

### DOCs

Documentation.

### EBITDA

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'.

### EURIBOR

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).

### FASB '13'

'Financial Accounting Standards Board 13' Accounting for Leases; Sets out financial accounting standards for leases in the US.

### FHBR

Finance House Base Rate.

### GAAP

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.

### HP

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.

### IRR

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, ie the yield on the investment.

### LIBOR (IBOR)

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.

### LM

Leasing Manager.

### LSM

Lease Service Manager.

### MLA

Master Lease Agreement.

### PO

Purchase Order.

### POA

Purchase Order Assignment.

### PPA

Progress Payment Agreement.

### SSAP21

Statement of Standard Accounting Practice that defines a lease, other than a finance lease, as an operating lease.

### VAR

Value Added Reseller.

### VAR BID

Value Added Reseller Bill-to ID.

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## Glossary of Documents

### Agreement to Lease Equipment

A standalone lease where all terms of the Master Agreement to Lease and Schedule are wrapped into one document.

### Certificate of Acceptance (Delivery and Acceptance)

A document whereby the lessee acknowledges that the equipment to be leased has been delivered, is acceptable, and has been manufactured or constructed according to specifications.

### Equipment Schedule

A document that describes in detail the equipment being leased. It may also state the lease term, commencement date, repayment schedule, purchase options, and locations of the equipment.

### Loan Agreement

A standalone financial agreement used in lieu of a lease agreement where all terms, conditions, and payments schedule are defined. This document is used by Cisco Capital to finance software, maintenance and professional services when no equipment is present in the transaction. Cisco Capital loan agreements are available in Denmark, Finland, Ireland, Italy, Netherlands, Norway, Sweden, Switzerland and the United Kingdom.

### Master Agreement to Lease

A contract in which the Lessee leases currently needed assets and is able to acquire other assets under the same basic terms and conditions without negotiating a new contract.

### Progress Payment Agreement

An Agreement wherein the Lessee authorises the Lessor to forward funds to the Partner before the acceptance documentation has been executed.

## Glossary of Financial Terms

### Actuarial Methods of Accounting

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.

### Agent

An authorised party acting on behalf of another party.

### Agency Agreement

An agreement detailing the terms under which an agent shall act.

### Amortise

Depreciate or reduce in value.

### BACS

Bankers Automated Clearing System.

### Bullet

A one off payment from a lessee which can be collected at anytime during a lease.

### Breach or Default of an Agreement

Failure to comply with a term of an agreement.

### Captive

A subsidiary whose purpose is to provide financing to customers buying the parent company's product. The captive finance company (Cisco Capital) is usually wholly owned by the parent company (Cisco Systems).

### Conditional Sale

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.

### Contract

An Agreement between two or more parties where consideration (benefit or value) has passed.

### Credit Sale

A type of instalment sale, where possession and title pass when a purchaser contracts to pay by a series of subsequent payments.

### Cross Border

Leases where the lessor and lessee are in different countries.

### Encumbrance

A liability attached to property e.g. a lien, mortgage or charge.

### Endorsement

A modification to an agreement accommodating individual circumstances relating to the lease terms.

### Equalised Repayment

A variable rate agreement whereby the rental remains fixed, the term is adjusted to compensate for additions / reductions in the interest rate percentage.

### Execution

The enforcement of a court judgement.

### Export Leasing

Cross border leasing where the leased equipment is manufactured in the country of the lessor.

### Extension, Renewal or secondary Period

The continuation part of a finance agreement if the lessee retains equipment after the primary period has expired.

### Finance Lease

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.

## Glossary of Financial Terms (continued)

### Full Payout Lease

A finance lease.

### Fully Amortising

Where the value of an asset is written off in full over the life of an agreement.

### Guarantee

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.

### Hardware

Physical product such as computer equipment, rather than services or software.

### Hiring or Renting

Financing, usually over a shorter period and with the equipment typically selected from the hirer, not a manufacturer.

### Holiday

Often used as meaning terminal pause, but can describe a period where the lessee makes no payments during a primary period.

### Indemnity

Protection given to one party by another, where there is agreement to make good any loss suffered.

### Initial Pause

A deferred period of rentals where the lessee makes no payments at the beginning of a finance agreement, there would be no terminal pause (see explanation below) nominally.

### Lease

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.

### Lease Profile

The number, timing and frequency of lease rentals or instalments.

### Lessee

The user of the equipment being leased.

### Lessor

The party to a lease agreement who has legal or tax title to the equipment, grants the lessee the right to use the equipment for the lease term, and is entitled to the rentals.

### Letter of Comfort

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.

### Licence and Assignment

The transfer of a finance agreement to another party. The authority to transfer is the Licence; the actual transfer is the Assignment.

### Lien

The right of one party to keep in its possession property belonging to another until legal claims against the other are satisfied.

### Lease Purchase

HP or hire purchase.

### Loan

Funding isn't tied to a fixed asset. The borrower initially does receive an amount of money from the lender, which they pay back, usually but not always in regular instalments, to the lender. This service is generally provided at a cost, referred to as interest on the debt.

### Mainstream Corporation Tax

Corporation Tax payable at the basic rate prevailing at the time.

## Glossary of Financial Terms (continued)

### Manufacturers Support Scheme

An agreement between a manufacturer of equipment and a lessor to provide financing facilities to its customers.

### Margin

A percentage above a lessor's cost of funds. May involve deducting overheads and corporation tax.

### Master Lease Agreement

An agreement between a lessor and a lessee specifying the terms and conditions of all future leases or schedules.

### Non-Captive

Best described as an independent outsourced financing partner, where the captive organisation (Cisco Capital) does not have a legal presence to provide either in country structural or, cross border financing solutions. The outsourced financing partner offers financial products and services using the financial resources at its disposal, on behalf of Cisco Capital.

### Non-Tax Based Leasing

Leases in which the lessor does not take into account capital allowances into the rental calculations.

### Novation

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.

### Off Balance Sheet

Usually means an asset or debt or financing activity not on the company's balance sheet.

### Operating Lease

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.

### Peppercorn Rent

A very low or nominal rent, usually applies in the secondary period of a finance lease.

### Post-Inception Variable

A finance rate/rental which is variable AFTER the lease being inceptioned.

### Pre-Inception Variable

A finance rate/rental which is variable PRIOR to the lease being inceptioned.

### Pre-Lease

An agreement between a lessor and lessee prior to lease execution, committing the lessee to lease goods at a future date.

### Primary Period

The first period of a finance agreement.

### Renting

Financing, usually over a shorter period and with the equipment typically selected from the renter, not a manufacturer.

### Re-Purchase Agreement

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'.

### Residual Value Balloon

Where an asset is amortised to a particular predicted Residual Value at the end of the primary period.

### Return On Investment

The margin over cost of funds obtained from the investment in a finance agreement.

### Sale and Leaseback

A type of leasing, where title of an asset is transferred to a lessor from a lessee and then leased back to the lessee.

## Glossary of Financial Terms (continued)

### Sales-Aid Leasing

An agreement between a manufacture of equipment and a lessor to provide finance facilities to its customers.

### Scheduled Balance

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.

### Seizure

Confiscation of property without the owner's consent.

### Sideletter

A letter or agreement which amends or varies another agreement to accommodate individual circumstances.

### Small Ticket

Low value finance agreement, typically less than £25,000 (€25,000).

### Sub-Lease

Where a lessee re-leases to a third party and the lease agreement between the original lessee and lessor remains in effect.

### Stub

A one off payment from a lessee which is collected at the beginning of a lease, normally with the first rental/s.

### Taxable Capacity

Those profits on which a company is liable to pay mainstream corporation tax.

### Tax Based Leasing

Leases in which the lessor takes into account capital allowances in the calculation of lease rentals.

### Tax Exhaustion

Having insufficient taxable profits to take advantage of capital allowances due.

### Tax Loss

The excess of allowances over and above taxable profits.

### Terminal Pause

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.

### Tranche

A slice or piece of business.

### Tripartite Agreement

Where the terms of an existing agreement are transferred to a new party, alternatively an agreement between three parties.

### Useful Life

Economic life of an asset. The period of time during which an asset will have economic value and be useable.

### Waiver

An agreement where a party agrees not to insist on a right which it would otherwise have.

### Writing Down Allowances

The percentage of an asset's cost which can be offset yearly against a company's tax bill.

### Year End

The end of a trading year. Many leasing companies have subsidiary companies with more than one year end.