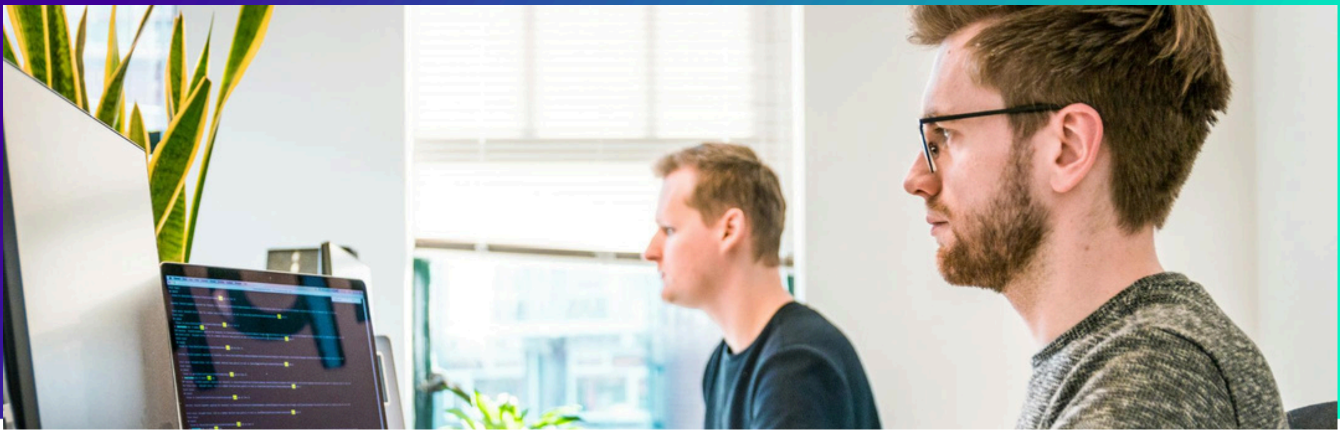

Cash vs Lease Explained

BS.202420.03.CVLE

Rentals

This figure represents the total rentals payable over the term exclusive of VAT.

Tax Saving: This figure represents the tax saving of the rentals. Due to the fact that the rentals are effectively 100% allowable against taxable profits this figure is equal to the total Rentals per above at the Corporation tax rate in the assumptions box.

Net Rental Cost: This figure is the net of the above two amounts.

NPV: As we are comparing you paying out cash today against finance that will require making fixed payments over a period of time in the future we need to ensure that we are comparing things like for like so we need to apply a discount (using the discount factor per the assumptions box) to the future rentals and tax savings to bring them into today's value of money as £1 in the future is worth less than £1 today.

Capital Cost

This figure is the value of the cash amount of the asset excluding VAT.

Tax Saving: This figure is the tax saving associated with owning the asset, the government allows each business to claim back against taxable profits an amount known as capital allowances, these capital allowances are calculated on a reducing balance and can vary due to the asset from 8% to 18%. Recent changes also allow businesses to claim all of the first £1,000,000 of purchases in any accounting year based on rules as at 01/01/16, the capital allowance is then multiplied by the corporation tax rate per the assumptions box. This tax saving is forthe full term of the finance.

Net Capital Cost: This figure is the net of the above two amounts.

NPV of Capital Cost: Again because we need to compare like for like any future amounts are discounted to today's value of money. This figure is higher than the amount above due to the fact that the Capital Cost figure, when discounted does not change (because it is being paid out today) whereas the tax savings (as they are in the future), when discounted does reduce thus the net of these two produce a higher figure.

NPV of Opportunity Cost: This figure illustrates the opportunity cost of not tying up precious cash in assets. It simply creates a cashflow and takes the amount you are paying on the finance and adjusts it for not spending the full amount of cash for the asset in one go. Along with the various tax savings this then provides a monthly net benefit reducing this on a monthly basis as your finance payments are made. Each month the cash 'surplus' is assumed to provide you with a return at the percentage per the return on capital in the assumptions box. This figure again is brought into today's value of money.

How Bluestone can help?

Our team of finance experts has over 27 years of experience helping organisations secure the finance they need to support their organisation. We'll work closely and collaborate with you to understand your specific financing requirements and provide you with a range of bespoke finance solutions that are tailored to your unique needs. With Bluestone as your finance partner, you can trust that we'll support you throughout the entire process, from application to approval and beyond.

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