

APPENDIX 3.8
(referred to in paragraphs 3.88, 4.33 and 4.73)

Financing costs of leasing franking machines

The table below illustrates the financing cost of leasing various franking machines under a variety of scenarios. We consider some illustrative models of low-, medium- and high-capacity machines using the list prices shown in Appendix 3.4, and average implicit APRs as provided by the parties (but see footnote). The APR is a simplification of the precise terms of various agreements and these figures are intended as a rough illustration. Average APR rates were provided for ASL and Neopost Finance (see footnotes to the table).

		<i>Machine</i>	<i>Cost</i>	<i>Term</i>	<i>APR*</i> %	<i>Monthly payments†</i> £	<i>Total paid</i> £	<i>Financing cost</i> £	<i>Percentage of cost</i> %
Small	AMS	Smile	1,318	2 6	<i>Figures omitted. See note on page iv.</i>				
	Neopost	IJ25	595	6					
Mid-range	AMS	337/324	5,937	2 6					
	Neopost	IJ65 autofeed	5,290	6					
Largest	AMS	Automail	15,669	2 6					
	Neopost	SM95	17,071	6					

Source: CC based on company data.

*ASL's implicit APR rates vary according to the length of lease but not by the capital cost. The implicit APR rates for Neopost Finance are weighted averages, actual rates vary to a greater extent with the length of lease and to a less extent with the capital value.

†Neopost Finance told us lease payments are usually made and calculated on a quarterly basis. Monthly figures are given for the purposes of comparison with ASL, taken simply as one third of the quarterly payments.