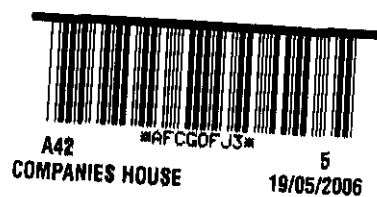


Finance & Leasing Association
(A company limited by guarantee and not having share capital)

Directors' report and financial statements

31st December 2005
Registered number 2651248



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2005.

Principal activities

The principal activities of the Association have been to continue to advance the interest of its members and their customers by promoting an open, competitive and fairly regulated market place to improve the business opportunities for members, to put the collective views of the members to regulators, government departments, parliament, European institutions and other relevant organisations on matters which affect them, to promote best practice and encourage the highest standards of professionalism, to provide a forum for members to raise general issues affecting their business and to provide business information to members.

Business review

Full Membership of the Association is available to organisations which are engaged in the business of providing asset finance, consumer credit finance, motor finance, second and commercial mortgages or asset leasing in the United Kingdom. Associate Membership is available to organisations with an interest in the same areas of business or providing professional advice or other services to full members or overseas organisations that satisfy the full membership criteria which trade solely outside the UK.

The results for the period are set out in the profit and loss account on page 5.

Audit Committee

The Board has set up an Audit Committee comprising 3 non-executive directors. Its role is to monitor the integrity of the Financial Statements, internal control and risk management systems and the relationship with the Auditors.

Remuneration committee

The Board has set up a Remuneration Committee comprising three non-executive directors. Its role is to set and monitor the remuneration and performance targets of the Director General and senior executives and to keep remuneration policies under review.

Directors and directors' interests

The members of the Board who served during the period were as follows:

Sam Geneen	Five Arrows Leasing Group Ltd	Chairman
Martin Hall	Finance & Leasing Association	Director General
Simon Baum	Alliance & Leicester Personal Finance Ltd	
John Bennett	Bank of America Global Finance (UK) Ltd	(appointed 12.05.05)
David Betteley	Toyota Financial Services (UK) PLC	
Peter Cottle	Capital Bank Motors PLC	
John Davies	Lloyds TSB Asset Finance Division	
Mike Hall	Citifinancial Europe PLC	
Peter Miles	Lloyds TSB Leasing Limited	(resigned 12.05.05)
Doug Moody	DaimlerChrysler Financial Services UK Ltd	(appointed 12.05.05)
Peter de Rousset-Hall	Ford Financial Britain – FCE Bank plc	(resigned 12.05.05)
Chris Stamper	ING Lease (UK) Ltd	
Nigel Terrington	Paragon Group of Companies	(appointed 12.05.05)
Lindsay Town	Bank of Scotland	

Directors' report (continued)

Directors and directors' interests (cont'd)

All members of the Board are directors of the Association for Companies Act purposes. No members of the Board had any personal interest in the loan capital of the Association.

Political and charitable contributions

The Association made no political or charitable contributions during the year.

Liability insurance

During the year the Association maintained liability insurance for its officers.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.



D Jeffrey
Company Secretary

9th March 2006

Imperial House
15-19 Kingsway
London WC2B 6UN

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association of the profit and loss of the Association for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of the Finance & Leasing Association

We have audited the financial statements of the Finance & Leasing Association for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Association's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 3, the Association's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Association is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Association's affairs as at 31st December 2005 and of its surplus for the year ended; and
- have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor
London
9th March 2006

Profit and loss account
for the year ended 31st December 2005

	Note	2005 £	2004 £
Turnover	2		
Members' subscriptions		2,245,132	2,243,614
Other trading income		1,226,028	1,192,872
		<u>3,471,160</u>	<u>3,436,486</u>
Administrative expenses		(3,395,603)	(3,306,280)
Operating Profit		<u>75,557</u>	<u>130,206</u>
Interest receivable		103,923	86,544
Profit on ordinary activities before taxation	3	179,480	216,750
Tax on profit for the financial year	6	(40,025)	(45,093)
Retained profit for the financial year	13	<u>139,455</u>	<u>171,657</u>

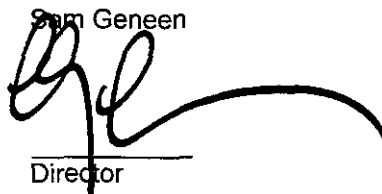
The Association made no acquisitions and had no discontinued activities.

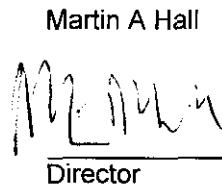
There were no recognised gains and losses other than the profit for the period.

Balance sheet
as at 31 December 2005

	Note	2005	2004
		£	£
Fixed assets			
Tangible assets	7	22,793	22,399
Current assets			
Debtors	8	361,609	290,438
Deferred Tax	9	10,680	13,929
Cash at Bank and in hand	10	<u>2,036,648</u>	<u>1,871,515</u>
		2,408,937	2,175,882
Creditors: amounts falling due within one year	11	<u>(1,356,914)</u>	<u>(1,262,920)</u>
Net current assets		<u>1,052,023</u>	<u>912,962</u>
Net assets		<u>1,074,816</u>	<u>935,361</u>
Amounts due to members	12	190,511	190,511
Capital and reserves			
Reserve Fund	13	<u>884,305</u>	<u>744,850</u>
		<u>1,074,816</u>	<u>935,361</u>

These financial statements were approved by the board of directors on 9th March 2006 and were signed on its behalf by:

Sam Geneen

Director

Martin A Hall

Director

Cash flow statement for the year ended 31st December 2005

	Note	2005 £	2004 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating Profit		75,557	130,206
Depreciation charge		17,686	20,545
Decrease / (Increase) debtors		(71,170)	83,178
Increase in creditors		101,469	97,609
Net cash inflow from operating activities		<u>123,542</u>	<u>331,538</u>

Cash flow statement

Net cash flows from operating activities		123,542	331,538
Returns on investment and servicing of finance			
Interest received		103,923	86,544
Taxation			
Corporation Tax paid		(44,252)	(56,780)
Capital Expenditure			
Payments to acquire tangible fixed assets		<u>(18,080)</u>	<u>(7,340)</u>
Cash inflow before management of liquid resources and financing		165,133	353,962
Management of liquid resources and financing			
Cash Investments		(463,337)	(581,470)
(Decrease) / Increase in cash in the period		<u>(298,204)</u>	<u>(227,508)</u>

Reconciliation of net cash flow to movement in net funds

(Decrease) / increase in cash in the period		(298,204)	(227,508)
Cash used to increase liquid resources		<u>463,337</u>	<u>581,470</u>
Movement in net funds in the period	14	165,133	353,962
Net funds at the start of the period		1,681,004	1,327,042
Net funds at the end of the period		<u>1,846,137</u>	<u>1,681,004</u>

Notes (forming part of the financial statements)

1. Status of the association

The Finance & Leasing Association is a company limited by guarantee and does not have share capital. In the event of winding up, each full member is liable to contribute an amount not exceeding £1 towards its debts and liabilities. At 31 December 2005 there were 105 full members and 83 associate members.

2. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Association's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Members' subscriptions

Members' subscriptions are recognised on an accruals basis.

Fixed assets and depreciation

Depreciation is provided by the Association to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	period of lease
Office Equipment	-	3 to 5 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

All leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

Contributions are made to the Group Personal Pension Scheme as set out in Note 16. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

2. Accounting policies (continued)

Taxation

Deferred tax is recognised without discounting in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Other trading income

Other trading income represents income from conferences and training courses held during the year, income from statistical services, income from the sale of publications, and project income from chargeable projects carried out on a cost recovery basis on behalf of groups of members, excluding value added tax.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand. Liquid resources are current asset investments which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year (other than cash).

3 Profit on ordinary activities before taxation

	2005 £	2004 £
Profit on ordinary activities before taxation is stated		
<i>after charging:</i>		
Auditors' remuneration:		
Audit	10,500	9,000
Other services	0	5,700
Depreciation and other amounts written off tangible fixed assets:		
Owned	17,686	20,545
Hire of office equipment – rentals payable under operating leases	32,455	29,141
Rentals payable under other operating leases	172,000	171,998
Vehicle Fraud Unit project	366,693	382,403
<i>and crediting:</i>		
Vehicle Fraud Unit project	366,693	382,403

4. Remuneration of directors

There was only one paid director whose emoluments, excluding pension contributions were £222,969 (2004: £211,759). The pension contributions on behalf of the director to the Association's money purchase scheme were £34,322 (2004: £33,066) including £5859 (2004: £5,750) from a salary sacrifice decision of the director. The emoluments and pension arrangements were determined by the Remuneration Committee of the Board.

Notes (continued)

5. Staff numbers and costs

The average number of persons employed by the Association (including the Director General) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Management	14	14
Administration	5	7
	<u>19</u>	<u>21</u>

The aggregate payroll costs of these persons were as follows:

	2005	2004
		£
Wages and salaries	978,736	949,270
Social security costs	109,679	105,422
Other pension costs (see note 16)	115,674	121,892
	<u>1,204,089</u>	<u>1,176,584</u>

6. Taxation

Analysis of tax charge in the year

	2005	2004
	£	£
UK Corporation tax on profits in the period	35,820	43,295
Adjustment in respect of the prior period	956	1,372
Total Current Tax	<u>36,776</u>	<u>44,667</u>

Origination and reversal of timing differences	2,674	401
Effect of reduced tax rate on opening asset	0	25
Adjustment for prior period timing differences	575	0
Total Deferred Tax	<u>3,249</u>	<u>426</u>

Tax on profit on ordinary activities	<u>40,025</u>	<u>45,093</u>
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Factors affecting tax charge for the period

Profit on ordinary activities before tax	179,480	216,750
Profit on ordinary activities multiplied by standard rate of corporation tax of 19% (2004: 19%) for medium sized company	34,101	41,183
Effects of:		
Adjustment in respect of prior periods	956	1,372
Short term timing differences	(2,674)	(401)
Permanent disallowed expenses	4,393	2,513
Total current tax for the period	<u>36,776</u>	<u>44,667</u>

The Association is subject to the marginal relief rules when calculating its corporation tax liability.

Notes (continued)

7. Tangible fixed assets

	Leasehold Improvements	Office Equipment	Total
	£	£	£
Cost			
At beginning of period	194,271	293,111	487,382
Additions	0	18,080	18,080
Disposals	0	0	0
At end of period	<u>194,271</u>	<u>311,191</u>	<u>505,462</u>
Depreciation			
At beginning of period	194,271	270,712	464,983
Charge for year	0	17,686	17,686
Disposals	0	0	0
At end of period	<u>194,271</u>	<u>288,398</u>	<u>482,669</u>
Net book value			
At 31 December 2005	<u>0</u>	<u>22,793</u>	<u>22,793</u>
At 31 December 2004	<u>0</u>	<u>22,399</u>	<u>22,399</u>

8. Debtors: amounts falling due within one year

	2005	2004
	£	£
Trade debtors (after specific provisions of £94,861 (2004: £40,677))	118,535	60,380
Other debtors	77,245	78,022
Prepayments and accrued income	165,829	152,036
	<u>361,609</u>	<u>290,438</u>

Trade debtors include debtors for projects managed by the Association on behalf of members.

9. Deferred tax asset

	2005	2004
	£	£
At 1 January	13,929	14,355
Credit to Profit and Loss Account	(3,249)	(426)
At 31 December	<u>10,680</u>	<u>13,929</u>

Note 6

The deferred tax asset arises on excess depreciation over capital allowances and timing differences with regard to pension contributions.

10. Cash at bank and in hand

	2005	2004
	£	£
Current accounts	285	311,646
Overdrafts	(148,541)	(161,698)
Term deposits	2,184,904	1,721,567
	<u>2,036,648</u>	<u>1,871,515</u>

Notes (continued)

11. Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	180,942	151,595
Vehicle Fraud Unit and creditors for other projects	674,943	615,165
Corporation tax	35,820	43,295
Other taxes and social security	33,912	27,908
Other creditors	197,404	204,909
Accruals	233,893	220,048
	<u>1,356,914</u>	<u>1,262,920</u>

12. Amounts due to members

	2005	2004
	£	£
Members' loan capital	25,071	25,071
Amount due to members	<u>165,440</u>	<u>165,440</u>
	<u>190,511</u>	<u>190,511</u>

The members' loan capital has no fixed maturity date and members have waived their entitlement to interest thereon.

13. Reserve fund

	2005	2004
	£	£
At beginning of year	744,850	573,193
Retained profit for the year	<u>139,455</u>	<u>171,657</u>
At end of year	<u>884,305</u>	<u>744,850</u>

14. Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	311,646	(311,361)	285
Overdrafts	(161,698)	13,157	(148,541)
Debt due after one year	(190,511)	0	(190,511)
Term deposits	1,721,567	463,337	2,184,904
Total	<u>1,681,004</u>	<u>165,133</u>	<u>1,846,137</u>

Notes (continued)

15. Commitments

At 31 December 2005 the Association had annual commitments under operating leases as set out below:

	2005		2004	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	0		0	295
2-5 years	172,000	31,297	172,000	26,781
Over 5 years	0	0	0	0
	<u>172,000</u>	<u>31,297</u>	<u>172,000</u>	<u>27,076</u>

16. Pension scheme

From November 1996 the Association has contributed to the Group Personal Pension Scheme, which is a defined contribution scheme.

The pension cost charge for the year represented contributions payable by the Association and amounted to £115,674 (2004: £121,892).

17. Counter indemnities in respect of bank guarantees

Barclays Bank plc has entered into counter indemnities on behalf of the Association in respect of guarantees to the sum of £ 83,160 in favour of the Association's Landlords.