

**Finance & Leasing Association**

(A company limited by guarantee and not having share capital)

**Directors' report and financial statements**

31 December 2001

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 2001.

### Principal activities

The principal activities of the Association have been to continue 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 honourable practices 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 consumer credit finance, instalment finance or asset finance 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 with trade solely outside the UK.

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

### 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 any executive directors (currently only the Director General) and to keep remuneration policies under review.

### Audit Committee

The Board has set up an Audit Committee comprising three non-executive directors.

### Directors and directors' interests

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

Peter B Miles	Lloyds TSB Leasing Limited	Chairman
Martin A Hall	Finance & Leasing Association	Director General
Michael Barley	Close Consumer Finance	(appointed 17 May 2001)
Jonathan Baum	GE Capital	(appointed 17 May 2001) (ceased 27 September 2001)
Christopher Boobyer	Barclays Asset Finance	(appointed 17 May 2001)
Michael Brian	PSA Finance Plc	(ceased 17 May 2001)
John Davies	Lloyds UDT Finance Ltd	(ceased 17 May 2001)
Peter de Rousset-Hall	Ford Credit Europe	
Sam Geneen	Five Arrows Leasing Group Ltd	
Philip George	First National Group	
Adrian Hill	HFC Bank plc	(ceased 17 May 2001)

## Directors' report (continued)

### Directors and directors' interests (cont'd)

Mr Patrick Crowfoot of MBNA Europe was elected as Vice Chairman of the Consumer Finance Division and appointed to the board on the 31st January 2002.

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

During the year the company made donations of £1,000 to BEN and £805 to the cost of the City's memorial service to the 11 September 2001 victims.

The company made no political contributions during the year.

### Liability Insurance

During the year the company 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 as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board.

  
D Jeffrey  
Company Secretary  
 February 2002

Imperial House  
15-19 Kingsway  
London WC2B 6UN

## Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **Independent Auditors' report to the members of Finance & Leasing Association**

(A company limited by guarantee and not having share capital)

We have audited the financial statements on page 5 to 11.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 company 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 company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards 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 company'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 of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG  
Chartered Accountants  
Registered Auditors  
London

28 February 2002

**Profit and loss account**  
for the year ended 31 December 2001

	<i>Note</i>	2001 £	2000 £
Turnover			
Members' subscriptions		2,036,452	2,012,434
Other trading income		<u>867,352</u>	<u>670,292</u>
		2,903,804	2,682,726
Administrative expenses		<u>(2,525,070)</u>	<u>(2,252,133)</u>
<b>Operating Profit</b>		<b>378,734</b>	430,593
Interest receivable		<u>58,697</u>	<u>52,216</u>
<b>Profit on ordinary activities before taxation</b>	3	<b>437,431</b>	482,809
Tax on profit for the financial year	6	<u>(125,528)</u>	<u>(122,056)</u>
<b>Retained profit for the financial year</b>	12	<u><b>311,903</b></u>	<u>360,753</u>

The company made no acquisitions and had no discontinued activities.

In both the current and preceding years the company made no recognised gains or losses other than those reported above.

The notes on pages 7 to 11 form an integral part of these financial statements

**Balance sheet**  
at 31 December 2001

	<b>Note</b>	<b>2001</b>		<b>2000</b>	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	7		98,682		179,901
<b>Current assets</b>					
Debtors	8	322,500		316,542	
Cash at Bank and in hand		<u>954,969</u>		<u>495,713</u>	
		1,277,469		812,255	
<b>Creditors: amounts falling due within one year</b>					
	9	<u>(996,708)</u>		<u>(784,635)</u>	
<b>Net current assets</b>			<u>280,761</u>		<u>27,620</u>
<b>Total assets less current liabilities</b>			379,443		207,521
<b>Creditors: amounts falling due after more than one year</b>	10		<u>0</u>		<u>(2,100)</u>
<b>Net assets</b>			<u>379,443</u>		<u>205,421</u>
<b>Amounts due to members</b>	11		277,310		415,191
<b>Capital and reserves</b>					
Reserve Fund	12		<u>102,133</u>		<u>(209,770)</u>
			<u>379,443</u>		<u>205,421</u>

These financial statements were approved by the board of directors on 28<sup>th</sup> February 2002 and were signed on its behalf by:

Peter B Miles



Director

Martin A Hall



Director

The notes on pages 7 to 11 form an integral part of these financial statements



## Notes (forming part of the financial statements)

### 1. Status of the Association

The Finance and 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 2001 there were 102 full members 78 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 company'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.

A cash flow statement has not been prepared on the grounds that the company qualifies as a small company.

#### Members' subscriptions

Members' subscriptions are recognised on an accruals basis.

#### Fixed assets and depreciation

Depreciation is provided by the company 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

The company operates a defined contribution pension scheme. The contributions are made to the Group Personal Pension Scheme as set out in Note 14. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

## 2 Accounting policies (continued)

### Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

### Other trading income

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

## 3 Profit on ordinary activities before taxation

	2001 £	2000 £
<b>Profit on ordinary activities before taxation is stated</b>		
<i>after charging:</i>		
Auditors' remuneration:		
Audit	7,500	6,750
Other services	2,500	1,750
Depreciation and other amounts written off tangible fixed assets:		
Owned	107,337	91,416
Hire of plant and machinery – rentals payable under operating leases	53,920	49,840
Rentals payable under other operating leases	237,938	243,010
Vehicle fraud unit project	158,658	-
<i>and crediting:</i>		
Rental income from sub-lease	147,620	147,620
Vehicle fraud unit project	158,658	-

#### 4. Remuneration of directors

There was only one paid director whose emoluments, excluding pension contributions were £183,675 (2000: £175,986). These were determined by the Remuneration Committee of the Board. The pension contributions on behalf of the director to the Association's money purchase scheme were £21,195 (2000: £20,280).

#### 5. Staff numbers and costs

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

	Number of employees	
	2001	2000
Management	10	10
Administration	8	10
	<u>18</u>	<u>20</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£	£
Wages and salaries	723,852	771,144
Social security costs	74,079	79,787
Other pension costs (see note 14)	80,815	86,393
	<u>878,746</u>	<u>937,324</u>

#### 6. Taxation

	2001	2000
	£	£
UK corporation tax at effective tax rate of 27.69% (2000: 24.85%) on the profit for the year on ordinary activities	121,107	122,056
Adjustment in respect of earlier year	4,421	0
	<u>125,528</u>	<u>122,056</u>

#### 7. Tangible fixed assets

	Leasehold Improvements £	Office Equipment £	Total £
<b>Cost</b>			
At beginning of period	191,471	217,290	408,761
Additions	2,800	23,318	26,118
At end of period	<u>194,271</u>	<u>240,608</u>	<u>434,879</u>
<b>Depreciation</b>			
At beginning of period	102,247	126,613	228,860
Charge for year	55,149	52,188	107,337
At end of period	<u>157,396</u>	<u>178,801</u>	<u>336,197</u>
<b>Net book value</b>			
At 31 December 2001	<u>36,875</u>	<u>61,807</u>	<u>98,682</u>
At 31 December 2000	<u>89,224</u>	<u>90,677</u>	<u>179,901</u>

**8. Debtors: amounts falling due within one year**

	2001 £	2000 £
Trade debtors (less specific provisions of £3,080 (2000: nil))	139,023	136,175
Other debtors	77,661	30,674
Prepayments and accrued income	<u>105,816</u>	<u>149,693</u>
	<u>322,500</u>	<u>316,542</u>

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

**9. Creditors: amounts falling due within one year**

	2001 £	2000 £
Trade creditors	152,087	156,364
Corporation tax	126,762	121,499
Other taxes and social security	21,149	22,320
Other creditors	558,132	308,733
Accruals and deferred income	<u>138,578</u>	<u>175,719</u>
	<u>996,708</u>	<u>784,635</u>

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

**10. Creditors: amounts falling due after more than one year**

	2001 £	2000 £
Other creditors	<u>0</u>	<u>2,100</u>

**11. Amounts due to members**

	2001 £	2000 £
Members' loan capital	25,071	25,071
Amount due to members	<u>252,239</u>	<u>390,120</u>
	<u>277,310</u>	<u>415,191</u>

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

Amount due to members relates to the expenditure of £1.14 million incurred by the Association in 1997, in connection with the surrender cost of the lease for the Association's former office and the relocation to the current office. In order to finance these transactions the members paid £975,300 to the Association. This interest free amount is being repaid to members in equal amounts over the period 1998 – 2002.

## 12. Reserve Fund

	2001 £	2000 £
At beginning of year	(209,770)	(570,523)
Retained profit for the year	<u>311,903</u>	<u>360,753</u>
At end of year	<u>102,133</u>	<u>(209,770)</u>

## 13. Commitments

At 31 December 2001 the company had annual commitments under operating leases as set out below:

	2001		2000	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	0	0	0	0
2-5 years	0	39,285	243,010	39,484
Over 5 years	<u>242,730</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>242,730</u>	<u>39,285</u>	<u>243,010</u>	<u>39,484</u>

The management had the option to cancel the operating lease for land and building in August 2002. However, the management has decided to not to exercise this option.

## 14. Pension scheme

The company operated a defined contribution pension scheme to November 1996. The scheme was formally closed in November 2001. From November 1996 the Company contributed to the Group Personal Pension Scheme.

The pension cost charge for the year represented contributions payable by the company and amounted to £80,815 (2000: £86,393).

## 15. Counter indemnities in respect of bank guarantees

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