

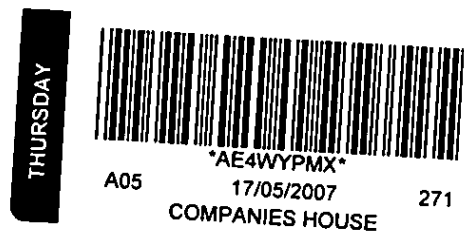
Finance & Leasing Association

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

**Directors' report and financial
statements**

Registered number 2651248

31 December 2006



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

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 to 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 of providing professional advice or other services to full members

The results for the period are set out in the profit and loss account on page 6

Major Risks

Major risks facing the Association include a challenging marketplace with increased consolidation and regulation The Association recognises that it is dependent upon membership retention and recruitment

Controls

The Association works closely with its members and monitors member changes routinely including a review of outstanding financial transactions The Association enters into discussions with and responds to the needs of all members

Future Developments

The Association is researching new interest groups and plans to expand its events and training programmes It will review its membership offer to ensure that it continues to match members needs, and strengthen its robust links with both Government and regulatory bodies

Supplier Payment Policy

The policy of the FLA in paying suppliers is to adhere to any previously agreed terms and conditions, and in the absence of agreed terms, to make payment, on average, within four weeks of invoice date

Audit Committee

The Board has set up an Audit Committee comprising 3 non-executive directors, David Betteley, its chairman, Mike Hall and Chris Stamper 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 3 non-executive directors, John Davies, its chair, Simon Baum, and John Bennett Its role is to set and monitor the remuneration and performance targets of the Director and senior executives and to keep remuneration policies under review

Directors' report *(continued)*

Directors and directors' interests

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

S Geneen	Five Arrows Leasing Group Ltd	Chairman
M Hall	Finance & Leasing Association	Director General
S Baum	Alliance & Leicester Personal Finance Ltd	
J Bennett	Bank of America Global Finance (UK) Ltd	
D Betteley	Toyota Financial Services (UK) PLC	Chair of Audit Committee
P Cottle	Capital Bank Motor PLC	
J Davies	Lloyds TSB Asset Finance Division (until 30 th November 2006)	Chair of Remuneration Committee
M Hall	Citifinancial Europe PLC	
D Moody	DaimlerChrysler Financial Services UK Ltd	
R Priestman	Lombard North Central PLC	Appointed 11 th May 2006
C Stamper	ING Lease (UK) Ltd	
N Terrington	Paragon Group of Companies	
L Town	Bank of Scotland	Resigned 11 th May 2006

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.

Directors' Responsibilities

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

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



Sam Geneen

Chairman

Imperial House
15-19 Kingsway
London
WC2B 6UN

8 March 2007

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 law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit 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 judgments 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 enable them to ensure that its 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.



KPMG LLP

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

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 2006 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities on page 3.

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 information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 judgments 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.

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

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 31 December 2006 and of its surplus for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

8 March 2007

Profit and loss account

for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Turnover	2		
Members' subscription		2,195,901	2,245,132
Other trading income		1,708,712	1,226,028
		<hr/>	<hr/>
		3,904,613	3,471,160
Administrative expenses		(3,802,288)	(3,395,603)
		<hr/>	<hr/>
Operating profit		102,325	75,557
Interest receivable		107,323	103,923
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	209,648	179,480
Tax on profit on ordinary activities	6	(43,695)	(40,025)
		<hr/>	<hr/>
Retained profit for the financial year	13	165,953	139,455
		<hr/> <hr/>	<hr/> <hr/>

The Association made no acquisitions and had no discounted activities

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

The notes on pages 9 to 15 form part of these financial statements

Balance sheet

at 31 December 2006

	Note	2006	2005
		£	£
Fixed assets			
Tangible assets	7	21,781	22,793
Current assets			
Debtors	8	536,220	361,609
Deferred tax	9	19,658	10,680
Cash at bank and in hand	10	2,014,697	2,036,648
		<u>2,570,575</u>	<u>2,408,937</u>
Creditors: amounts falling due within one year	11	<u>(1,388,367)</u>	<u>(1,356,914)</u>
Net current assets		<u>1,182,208</u>	<u>1,052,023</u>
Net assets		<u>1,203,989</u>	<u>1,074,816</u>
Capital and reserves			
Amounts due to members	12	153,731	190,511
Reserve fund	13	1,050,258	884,305
		<u>1,203,989</u>	<u>1,074,816</u>

These financial statements were approved by the board of directors on
signed on its behalf by

8 March

2007 and were

S Geneen
Director



MA Hall
Director



The notes on pages 9 to 15 form part of these financial statements

Cash flow statement

for the year ended 31 December 2006

	<i>Note</i>	2006 £	2005 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		102,325	75,557
Depreciation charge		17,494	17,686
Credit balances written back		(36,780)	-
Decrease/(increase) in debtors		(174,611)	(71,170)
Increase in creditors		16,161	101,469
		<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities		(75,411)	123,542
		<hr/>	<hr/>
Cash flow statement			
Net cash flow from operating activities		(75,411)	123,542
Returns on investments and servicing of finance			
Interest received		107,323	103,923
Taxation			
Corporation tax paid		(37,381)	(44,252)
Capital expenditure			
Payments to acquire tangible fixed assets		(16,482)	(18,080)
		<hr/>	<hr/>
(Decrease)/increase in cash in the period		(21,951)	165,133
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the period		(21,951)	165,133
Write back of loans		36,780	-
		<hr/>	<hr/>
Movement in net funds in the period		14,829	165,133
Net funds at the start of the period		1,846,137	1,681,004
		<hr/>	<hr/>
Net funds at the end of the period	<i>14</i>	1,860,966	1,846,137
		<hr/>	<hr/>

The notes on pages 9 to 15 form part of these financial statements

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 2006 there were 109 full members and 84 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.

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date'
- The presentation requirements of FRS 25 'Financial instruments: presentation and disclosure'
- FRS 28 'Corresponding amounts'

The accounting policies under these new standards are set out below. They have had no material effect on these financial statements.

Basis of accounting

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

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.

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.

Notes (continued)

2 Accounting policies (continued)

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 group 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

	2006 £	2005 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration		
Audit	10,250	10,000
Depreciation and other amounts written off tangible fixed assets		
Owned	17,494	17,686
Hire of office equipment - rentals payable under operating leases	33,576	32,455
Rentals payable under operating leases	172,000	172,000
Vehicle Fraud Unit project	466,716	366,693
<i>after crediting</i>		
Vehicle Fraud Unit project	466,716	366,693
	<u>466,716</u>	<u>366,693</u>

4 Remuneration of directors

There was only one paid director whose emoluments, excluding pension contributions were £237,216 (2005 £222,969). The pension contributions made on behalf of the director to the Association's Group Personal Pension Scheme were £28,822 (2005 £34,322). 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 directors) during the year, analysed by category, was as follows

	Number of employees	
	2006	2005
Management	16	14
Administrative	5	5
	<hr/>	<hr/>
	21	19
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows

	2006	2005
	£	£
Wages and salaries	1,049,432	978,736
Social security costs	121,609	109,679
Other pension costs (see note 16)	140,406	115,674
	<hr/>	<hr/>
	1,311,447	1,204,089
	<hr/>	<hr/>

Notes (continued)

6 Taxation

Analysis of charge in year

	2006	2005
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	51,112	35,820
Adjustments in respect of prior periods	1,561	956
	<hr/> 52,673	<hr/> 36,776
Origination and reversal of timing differences	(8,978)	2,674
Adjustment for prior period timing differences	-	575
	<hr/> 43,695	<hr/> 40,025

Factors affecting the tax charge for the current period

	2006	2005
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	209,648	179,480
	<hr/>	<hr/>
Profit on ordinary activities at medium sized company rate of 19% (2005 19%)	39,833	34,101
	<hr/>	<hr/>
<i>Effects of</i>		
Adjustment in respect of prior periods	1,561	956
Short term timing differences	7,540	(2,674)
Permanent disallowed expenses	3,739	4,393
	<hr/>	<hr/>
Total current tax charge (see above)	52,673	36,776
	<hr/>	<hr/>

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 year	194,271	311,191	505,462
Additions	-	16,482	16,482
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	194,271	327,673	521,944
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	194,271	288,398	482,669
Charge for the year	-	17,494	17,494
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	194,271	305,892	500,163
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2006	-	21,781	21,781
	<hr/>	<hr/>	<hr/>
At 31 December 2005	-	22,793	22,793
	<hr/>	<hr/>	<hr/>

8 Debtors: amounts falling due within one year

	2006 £	2005 £
Trade debtors (after specific provisions of £11,857 (2005 £94,961))	143,833	118,535
Other debtors	188,126	77,245
Prepayments and accrued income	204,261	165,829
	<hr/>	<hr/>
	536,220	361,609
	<hr/>	<hr/>

9 Deferred tax asset

	2006 £	2005 £
At 1 January	10,680	13,929
Credit/(charge) to profit and loss account	8,978	(3,249)
	<hr/>	<hr/>
At 31 December	19,658	10,680
	<hr/>	<hr/>

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

Notes (continued)

10 Cash at bank and in hand

	2006 £	2005 £
Current accounts	509	285
Overdrafts	(115,188)	(148,541)
Term deposits	2,129,376	2,184,904
	<u>2,014,697</u>	<u>2,036,648</u>

11 Creditors: amounts falling due within one year

	2006 £	2005 £
Trade creditors	218,425	180,942
Vehicle Fraud Unit and creditors for other projects	626,224	674,943
Corporation tax	51,112	35,820
Other taxes and social security	43,572	33,912
Other creditors	254,833	197,404
Accruals	194,201	233,893
	<u>1,388,367</u>	<u>1,356,914</u>

12 Amounts due to members

	2006 £	2005 £
Members' loan capital	25,071	25,071
Amounts due to members	128,660	165,440
	<u>153,731</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

	2006 £	2005 £
At beginning of year	884,305	744,850
Retained profit for the year	165,953	139,455
	<u>1,050,258</u>	<u>884,305</u>

Notes (continued)

14 Analysis of net funds

	At beginning of year £	Net Cash flow £	Net Non cash Flow £	At end of year £
Cash in bank and in hand	285	224	-	509
Overdrafts	(148,541)	33,353	-	(115,188)
Debt due after one year	(190,511)	-	36,780	(153,731)
Term deposits	2,184,904	(55,528)	-	2,129,376
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net funds	1,846,137	(21,951)	36,780	1,860,966
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

15 Commitments

At 31 December 2006 the Association had annual commitments under leases as set out below

	2006		2005	
	Land and building £	Other £	Land and building £	Other £
Operating leases which expire				
Within one year	102,258	6,208	-	-
2-5 years	-	27,368	172,000	31,297
Over 5 years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	102,258	33,576	172,000	31,297
	<u> </u>	<u> </u>	<u> </u>	<u> </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 £140,406 (2005 £115,674)

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