

Finance & Leasing Association

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

Directors' report and financial statements

31 December 1998

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 1998.

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 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 and have discussed 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 and 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 solely outside the UK.

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

Remuneration committee

The Executive 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.

Directors and directors' interests

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

Michael A Woodall	Woolwich plc (formerly with Beneficial Bank PLC)	Chairman
Michael Brian	Lombard North Central PLC	(ceased 21.5.98)
John D Callender	Barclays Mercantile Business Finance Ltd	(ceased 21.5.98)
John L Davies	Chartered Trust plc	(appointed 21.5.98)
David G Dunsmore	Abbey National Personal Finance	
Martin A Hall	Director General, Finance & Leasing Association	
Roger Halliwell	CAPITAL BANK plc	(appointed 21.5.98)
Malcolm G Hill	Volkswagen Financial Services Ltd	(appointed 21.5.98)
Timothy V Holmes	Forward Trust Limited	(ceased 21.5.98)
Graham E Picken	First Direct, Business to Business	
Charles S Taylor	Sovereign Finance PLC	

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

Directors' report *(continued)*

Political and charitable contributions

During the year the company made a donation of £850 to Money Advice Liaison Group.

The company made no political contributions during the year.

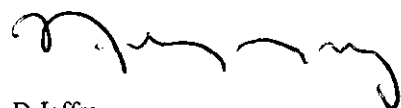
Liability insurance

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

Auditors

In accordance with Section 384 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
22 April 1999

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.

kpmg

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

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 pages 5 to 13.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

K P Ma

KPMG
*Chartered Accountants
Registered Auditors*

23 April 1999

Profit and loss account

for the year ended 31 December 1998

	Note	Total 1998	Total 1997
		£	£
Members' subscriptions		1,707,936	1,700,900
Other trading income		837,077	1,124,348
Administrative expenses		(2,474,588)	(4,029,315)
		<hr/>	<hr/>
Trading profit/(loss)		70,425	(1,204,067)
Other operating income		11,579	22,281
Other interest receivable and similar income	7	54,678	81,882
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	3	136,682	(1,099,904)
Tax on profit on ordinary activities	8	(30,068)	13,815
		<hr/>	<hr/>
Retained profit/(loss) for the financial year		106,614	(1,086,089)
		<hr/>	<hr/>

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.

Balance sheet

at 31 December 1998

	Note	£	1998	£	1997	£
Fixed assets						
Tangible assets	9		227,734		280,301	
Current assets						
Debtors	10	99,065		153,883		
Cash at bank and in hand		146,751		102,432		
		<u>245,816</u>		<u>256,315</u>		
Creditors: amounts falling due within one year	11	<u>(345,629)</u>		<u>(320,679)</u>		
Net current (liabilities)			<u>(99,813)</u>		<u>(64,364)</u>	
Total assets less current liabilities			<u>127,921</u>		<u>215,937</u>	
Creditors: amounts falling due after more than one year	12		<u>(10,500)</u>		<u>(11,770)</u>	
Net assets			<u>117,421</u>		<u>204,167</u>	
Amounts due to members	13		<u>798,511</u>		<u>991,871</u>	
Capital and reserves						
Reserve fund	14		<u>(681,090)</u>		<u>(787,704)</u>	
			<u>117,421</u>		<u>204,167</u>	

These financial statements were approved by the board of directors on 22 April 1999 and were signed on its behalf by:

M Woodall
Director

M A Hall
Director

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 1998 there were 102 members and 55 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
Fixtures and fittings	-	3 to 5 years (or over the period of a lease)

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 16. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Notes

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 and from the sale of publications, excluding value added tax.

3 Profit on ordinary activities before taxation

	1998 £	1997 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	6,000	6,000
Other services	53,887	26,214
Depreciation and other amounts written off tangible fixed assets:		
Owned	63,050	22,485
Leased	0	0
Hire of plant and machinery - rentals payable under operating leases	50,372	40,229
Rentals payable under other operating leases	166,320	315,930
	<hr/>	<hr/>

4 Remuneration of directors

The emoluments, excluding pension contributions, of Mr Hall the only paid director were £149,395 (1997: £148,126). These were determined by the Remuneration Committee of the Executive Board.

The emoluments include a performance bonus of £9,487 (1997: £17,250) which was approved by the Remuneration Committee in February 1999 and paid in the same month. Pension contributions in respect of a money purchase scheme were £19,106 (1997: £17,250).

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	
	1998	1997
Management	8	9
Administration	15	16
	<hr/>	<hr/>
	23	25
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	1998	1997
	£	£
Wages and salaries	734,612	748,235
Exceptional settlements	13,888	75,038
Social security costs	73,454	73,032
Other pension costs (see note 16)	81,706	75,019
	<hr/>	<hr/>
	903,660	971,324
	<hr/>	<hr/>

6 Exceptional costs

	1998	1997
	£	£
Move expenses	(0)	(1,141,745)
	<hr/>	<hr/>

The move expenses relate to the surrender cost of the lease in respect of the former offices at Upper Grosvenor Street and associated costs.

7 Other interest receivable and similar income

	1998	1997
	£	£
Bank interest receivable	54,678	81,882
	<hr/>	<hr/>

Notes (continued)

8 Taxation

	1998 £	1997 £
UK corporation tax at 21% on the profit for the year on ordinary activities	30,068	0
Adjustment relating to an earlier year	(0)	(4,925)
Tax credit in respect of losses carried back	(0)	(8,890)
	<u>30,068</u>	<u>(13,815)</u>

9 Tangible fixed assets

	Leasehold Improvements	Fixtures, Fittings, tools and equipment	Total
	£	£	£
Cost			
At beginning of period	131,484	167,712	299,196
Additions	0	10,483	10,483
Disposals	0	0	0
	<u>131,484</u>	<u>178,195</u>	<u>309,679</u>
At end of period	131,484	178,195	309,679
Depreciation			
At beginning of period	772	18,123	18,895
Charge for year	27,068	35,982	63,050
On disposals	0	0	0
	<u>27,840</u>	<u>54,105</u>	<u>81,945</u>
At end of period	27,840	54,105	81,945
Net book value			
At 31 December 1998	<u>103,644</u>	<u>124,090</u>	<u>227,734</u>
At 31 December 1997	<u>130,712</u>	<u>149,589</u>	<u>280,301</u>

Notes (continued)

10 Debtors: amounts falling due within one year

	1998	1997
	£	£
Trade debtors	41,948	30,637
Other debtors	4,259	86,096
Prepayments and accrued income	52,858	37,150
	<hr/>	<hr/>
	99,065	153,883
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	1998		1997
	£	£	£
Trade creditors		48,026	129,513
Other creditors including taxation and social security:			
Corporation tax	21,178		0
Other taxes and social security	48,548	22,409	
	<hr/>	<hr/>	
Taxation and social security	69,726	22,409	
Other creditors	4,200	9,230	
	<hr/>	<hr/>	
	73,926		31,639
Accruals and deferred income	223,677		159,527
	<hr/>		<hr/>
	345,629		320,679
	<hr/>		<hr/>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Other creditors	10,500	11,770
	<u>10,500</u>	<u>11,770</u>

13 Amounts due to members

	1998 £	1997 £
Members' loan capital	25,071	25,071
Pre payments	773,440	966,800
	<u>798,511</u>	<u>991,871</u>

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

In order to finance the payment of the move from Upper Grosvenor Street in 1997 referred to in note 6, the members agreed to pay subscriptions in advance in respect of their membership during the years 1998 to 2002. These interest free amounts will be repaid to members when subscriptions are due in respect of each of the years 1998 to 2002.

14 Reserves

	1998 £	1997 £
		Reserve fund
At beginning of year	(787,704)	298,385
Transfer to reserves for year	106,614	(1,086,089)
	<u>(681,090)</u>	<u>(787,704)</u>

Notes (continued)

15 Commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as set out below:

	1998		1997	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	0	3,332	0	6,600
2 - 5 years	166,320	40,540	0	43,772
Over 5 years	0	0	166,320	0
	<hr/>	<hr/>	<hr/>	<hr/>
	166,320	43,872	166,320	50,372
	<hr/>	<hr/>	<hr/>	<hr/>

16 Pension scheme

The company operated a defined contribution pension scheme to November 1996. From November 1996 the Company contributed to the Group Personal Pension Scheme. Transferring of assets from the former scheme is at the discretion of members.

The pension cost charge for the year represents contributions payable by the company amounted to £81,706 (1997: £75,019).

17 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.

18 Millennium Compliance

The directors have considered the risks and uncertainties of software not operating correctly prior to, during and after the year 2000 as a result of data-based functionality. A plan has been implemented by the Association to address these issues and its relationships with members, suppliers and other relevant parties.

A program is being pursued which should ensure that any operational systems and free standing applications which are not millennium compliant will be updated or replaced. A budget of £75,000 has been provided for the acquisition of systems to improve services to members and address the issues associated with the date change functionality.