

Finance & Leasing Association

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

**Directors' report and financial
statements**

Registered number 2651248

31 December 2011

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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011

Principal activities

The principal activities of the Association have been to continue to advance the interests of its members and their customers by promoting an open, competitive and fairly-regulated marketplace, 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 and motor finance. 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

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 and difficult credit conditions with increased regulation, media attention and market consolidation. The Association recognises that it is dependent upon membership retention and recruitment

Controls

The Association works closely with its members and monitors changes in membership routinely, including via a review of outstanding financial transactions, and comparison with previous years. The Association enters into discussions with, and responds to, the needs of all its members

Future Developments

The Association has adopted a business strategy which aims to continue to raise its lobbying and media profile, and improve its services to members

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 2 non-executive directors: Chris Stamper (Chairman) and Doug Moody. The committee's role is to monitor the integrity of the Financial Statements, the FLA's internal control and risk management systems, and the FLA's relationship with its auditors

Directors' report *(continued)*

Remuneration Committee

The Board has set up a Remuneration Committee comprising 3 non-executive Directors Simon Baum (Chairman), George Lynn and W Philip Ross. The Committee's role is to set and monitor the remuneration policy for all employees.

Directors and Directors' interests

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

G Ashworth	Aldermore Bank plc	
S Baum	Santander UK plc	Chair of Remuneration Committee
A Brown	Barclays Corporate Asset Finance	Appointed 23 September 2011
N Clibbens	Lombard North Central plc	Appointed 29 March 2011
S Geneen	Five Arrows Leasing Group Ltd	
G Grimes	Hitachi Capital (UK) plc	
G Lynn	Angel Trains Ltd	
P Minter	Moneybarn plc	
D Moody	Mercedes-Benz Financial Services UK Ltd	
D Pumfrey	Bank of America	Resigned 28 February 2011
G Rennison	LaSer UK	Appointed 17 March 2011
W P Ross	Honda Finance Europe plc	
S Sklaroff	Finance & Leasing Association	Director General
C P Stamper	ING Lease (UK) Ltd	Chair of Audit Committee
J Stuart	Barclays Corporate	Resigned 23 September 2011
C Sutton	Blackhorse Motor Finance	Chairman

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.

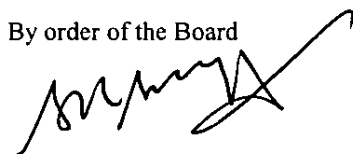
Liability insurance

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board



Stephen Sklaroff
Director

Imperial House
15-19 Kingsway
London
WC2B 6UN

29 March 2012

Registered number 2651248

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)

Under company law the directors must not approve the financial statements unless they are satisfied that they 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 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 company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company 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 2011 set out on pages 6 to 16. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

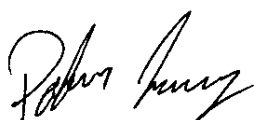
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE FINANCE & LEASING ASSOCIATION (*CONTINUED*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Peter Lomax (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Salisbury Square, London, EC4Y 8BB

2 April. 2012

Profit and loss account

for the year ended 31 December 2011

	<i>Note</i>	2011 £	2010 £
Turnover	2		
Members' subscriptions		2,403,513	2,344,649
Other trading income		1,787,558	1,615,424
		<hr/>	<hr/>
		4,191,071	3,960,073
Administrative expenses		(3,995,702)	(3,787,862)
		<hr/>	<hr/>
Operating profit		195,369	172,211
Interest receivable	6	40,360	26,130
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	235,729	198,341
Tax charge on profit on ordinary activities	7	(49,602)	(42,893)
		<hr/>	<hr/>
Retained profit for the financial year	15	186,127	155,448
		<hr/> <hr/>	<hr/> <hr/>

The Association made no acquisitions and had no discontinued activities

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

The notes on pages 9 to 16 form part of these financial statements

Balance sheet

at 31 December 2011

	Note	2011	2010
		£	£
Fixed assets			
Tangible assets	8	16,762	42,520
Current assets			
Debtors	9	564,722	357,192
Short term investments	11	1,900,000	1,000,000
Cash at bank and in hand	12	1,070,557	1,631,172
		<u>3,535,279</u>	<u>2,988,364</u>
Creditors amounts falling due within one year	13	(1,956,316)	(1,621,286)
		<u></u>	<u></u>
Net current assets		1,578,963	1,367,078
		<u></u>	<u></u>
Net assets		1,595,725	1,409,598
		<u></u>	<u></u>
Capital and reserves			
Amounts contributed by members	14	25,071	25,071
Reserve fund	15	1,570,654	1,384,527
		<u></u>	<u></u>
		1,595,725	1,409,598
		<u></u>	<u></u>

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

29 March 2012 and were


S Sklaroff
Director

The notes on pages 9 to 16 form part of these financial statements

Registered number 2651248

Cash flow statement

for the year ended 31 December 2011

	<i>Note</i>	2011 £	2010 £
Net cash flow from operating activities	16	358,747	706,808
Returns on investments and servicing of finance			
Interest received		32,770	23,022
Taxation			
Corporation tax paid		(50,835)	(13,785)
Capital expenditure			
Payments to acquire tangible fixed assets		(1,297)	(10,396)
Management of liquid resources			
(Increase) in short term deposits not qualifying as cash		(900,000)	(1,000,000)
		<u> </u>	<u> </u>
(Decrease) in cash in the period		(560,615)	(294,351)
		<u> </u>	<u> </u>
Reconciliation of net cash flow to movement in net funds			
(Decrease) in cash in the period		(560,615)	(294,351)
Net funds at the start of the period		1,631,172	1,925,523
		<u> </u>	<u> </u>
Net funds at the end of the period	17	1,070,557	1,631,172
		<u> </u>	<u> </u>

The notes on pages 9 to 16 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 2011 there were 114 full members and 89 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 for the calendar year.

Other trading income

Other trading income represents income from conferences and training courses held during the year, income from statistical services, and project income, excluding value added tax.

Where the Association acts as an intermediary in facilitating projects whose tasks are carried out by third parties on behalf of a particular member interest group, and where the Association is invoiced directly by the third parties, such invoices being due regardless of whether the individual members reimburse the Association, the amounts charged to members are recognised as trading income, and the amounts incurred in respect of the project are recognised as costs. Such income is recognised on an accruals basis as the project progresses.

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

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

Contributions are made to the Group Personal Pension Scheme as set out in Note 19. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred as a result of differences arising between the treatment of certain items for taxation and accounting purposes.

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

Notes (continued)

2 Accounting policies (continued)

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 that are disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values

3 Profit on ordinary activities before taxation

	2011 £	2010 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration		
Audit	13,100	12,000
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	1,000	-
Depreciation and other amounts written off tangible fixed assets		
Owned	27,055	65,349
Rentals payable under operating leases		
Hire of office equipment	59,433	26,437
Hire of land and buildings	176,774	176,774
AVCIS and other projects	923,977	731,206
<i>after crediting</i>		
AVCIS and other projects	923,977	731,206
	<u>923,977</u>	<u>731,206</u>

4 Remuneration of directors

	2011 £	2010 £
Directors' emoluments	245,899	240,799
Company contributions to money purchase pension schemes	31,379	30,614
	<u>277,278</u>	<u>271,413</u>

The aggregate of emoluments of the highest paid director was £245,899 (2010 £240,799) and company pension contributions of £31,379 (2010 £30,614) 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 was as follows

	2011	2010
Total number of employees during the year	23	22

The aggregate payroll costs of these persons were as follows

	2011 £	2010 £
Wages and salaries	1,412,937	1,353,741
Social security costs	166,139	157,170
Other pension costs (see note 19)	159,232	147,929
	1,738,308	1,685,840

6 Interest receivable

	2011 £	2010 £
Bank interest received	32,770	23,022
Other interest received	7,590	3,108
	40,360	26,130

Notes (continued)

7 Taxation

Analysis of charge in year

	2011 £	2010 £
<i>UK corporation tax</i>		
Current tax on income for the period	49,444	50,835
Total current tax	49,444	50,835
Deferred tax charge/(credit) for the period	158	(7,942)
Tax on profit on ordinary activities	49,602	42,893

Factors affecting the tax charge for the current period

	2011 £	2010 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	235,729	198,342
Tax on ordinary activities at small company rate of 20 25% (2010 21%)	47,727	41,652
<i>Effects of</i>		
Depreciation	5,479	13,723
Capital allowances	(3,933)	(6,940)
Other timing differences	(1,033)	1,159
Expenses not deductible for tax purposes	1,204	1,241
Total current tax charge (see above)	49,444	50,835

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Office Equipment £	Total £
Cost			
At beginning of year	257,157	479,742	736,899
Additions	-	1,297	1,297
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	257,157	481,039	738,196
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	237,274	457,105	694,379
Charge for the year	12,564	14,491	27,055
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	249,838	471,596	721,434
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2011	7,319	9,443	16,762
	<hr/>	<hr/>	<hr/>
At 31 December 2010	19,883	22,637	42,520
	<hr/>	<hr/>	<hr/>

9 Debtors: amounts falling due within one year

	2011 £	2010 £
Trade debtors	73,959	165,754
Other debtors	127,921	32,458
Prepayments and accrued income	349,055	145,035
Deferred tax asset (note 10)	13,787	13,945
	<hr/>	<hr/>
	564,722	357,192
	<hr/>	<hr/>

Notes *(continued)*

10 Deferred tax asset

	2011 £	2010 £
At 1 January 2011	13,945	6,003
(Charge)/Credit to profit and loss account	(158)	7,942
	<u>13,787</u>	<u>13,945</u>
At 31 December 2011	<u>13,787</u>	<u>13,945</u>

The elements of deferred taxation are as follows

	2011 £	2010 £
Difference between accumulated depreciation and amortisation and capital allowances	11,145	10,100
Unpaid pension contributions	2,642	3,845
	<u>13,787</u>	<u>13,945</u>
At 31 December 2011	<u>13,787</u>	<u>13,945</u>

11 Short term investments

	2011 £	2010 £
Short term fixed deposits	1,900,000	1,000,000
	<u>1,900,000</u>	<u>1,000,000</u>

In 2011 and 2010, the Association placed cash on fixed term deposits which have maturity length of less than one year

12 Cash at bank and in hand

	2011 £	2010 £
Cash in hand	305	123
Cash at bank	1,070,252	1,631,049
	<u>1,070,557</u>	<u>1,631,172</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2011 £	2010 £
Trade creditors	417,901	109,796
Project creditors	785,853	731,657
Corporation tax	49,444	50,835
Other taxes and social security	107,486	93,064
Other creditors	9,319	133,214
Accruals and deferred income	586,313	502,720
	<u>1,956,316</u>	<u>1,621,286</u>

14 Amounts contributed by members

	2011 £	2010 £
Members' capital contribution	25,071	25,071
	<u>25,071</u>	<u>25,071</u>

The members' capital contribution represents funding provided by the original members for the purpose of initial capital requirements. These amounts are not repayable.

15 Reserve fund

	2011 £	2010 £
At beginning of year	1,384,527	1,229,079
Retained profit for the year	186,127	155,448
	<u>1,570,654</u>	<u>1,384,527</u>

Notes (continued)

16 Reconciliation of operating profit to net cash flow from operating activities

	2011 £	2010 £
Operating profit	195,369	172,212
Depreciation charge	27,055	65,349
(Increase)/Decrease in debtors	(200,098)	65,931
Increase in creditors	336,421	403,316
	<u>358,747</u>	<u>706,808</u>
Net cash (outflow)/inflow from operating activities	<u>358,747</u>	<u>706,808</u>

17 Analysis of net funds

	At beginning of year £	Net Cash flow £	At end of year £
Cash in hand	123	182	305
Cash at bank	1,631,049	(560,797)	1,070,252
	<u>1,631,172</u>	<u>(560,615)</u>	<u>1,070,557</u>
Net funds	<u>1,631,172</u>	<u>(560,615)</u>	<u>1,070,557</u>

18 Commitments

At 31 December 2011 the Association had annual commitments under leases as set out below

	2011 Land and building £	Other £	2010 Land and building £	Other £
Operating leases which expire				
Within one year	-	-	-	11,293
2-5 years	176,774	48,573	176,774	-
Over 5 years	-	-	-	-
	<u>176,774</u>	<u>48,573</u>	<u>176,774</u>	<u>11,293</u>

At 31 December 2011, the Association had not contracted for any future capital expenditure (2010 £nil)

19 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 £159,232 (2010 £147,929)

At the year end there was a creditor in respect of outstanding contributions of £13,209 (2010 £18,311)