

**Finance & Leasing Association**

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

**Directors' report and financial  
statements**

Registered number 2651248

31 December 2012

MONDAY



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## **Directors' report**

The Directors present their annual report and the audited financial statements for the year ended 31 December 2012

### **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 7

### **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) to 30 April 2012 and Doug Moody. From 1 April 2012 Doug Moody was elected Chairman and George Ashworth was elected to the committee in place of Chris Stamper. 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 until 30 March 2012), George Lynn until 6 July 2012 and W Philip Ross. The committee currently consists of Doug Moody, Alex Brown and Gordon Rennison (Chairman). 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	Chairman of the Remuneration Committee, resigned 30 March 2012
A Brown	ESHLA Barclays	Remuneration Committee
N Chibbens	Lombard North Central plc	
G Ferguson	Lloyds TSB Commercial Finance Ltd	Appointed 1 October 2012
S Geneen	Five Arrows Leasing Group Ltd	
S Gowler	RCI Financial Services Ltd	Appointed 12 April 2012
G Grimes	Hitachi Capital (UK) plc	
G Lynn	Angel Trains Ltd	Resigned 6 July 2012
P Minter	Moneybarn plc	
D Moody	Mercedes-Benz Financial Services UK Ltd	Remuneration Committee, Audit Committee
G Rennison	LaSer UK	Chairman of the Remuneration Committee
W P Ross	Honda Finance Europe plc	Chairman
S Sklaroff	Finance & Leasing Association	Director General
C P Stamper	ING Lease (UK) Ltd	Resigned 30 April 2012
C Sutton	Black Horse Motor Finance	

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.

### Disclosure of information to auditor

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 Company's auditor is unaware, and

## **Directors' report** *(continued)*

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 Company's auditor is aware of that information

### **Auditor**

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



By order of the Board

**Stephen Sklaroff**  
Director

Registered number 2651248

Imperial House  
15-19 Kingsway  
London  
WC2B 6UN

*28 March* 2013

## **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

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United Kingdom

## **INDEPENDENT AUDITOR'S 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 2012 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 company'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 company'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 company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 2012 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 AUDITOR'S 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  
United Kingdom

*28 March 2013*



## Profit and loss account

*for the year ended 31 December 2012*

	<i>Note</i>	2012 £	2011 £
<b>Turnover</b>	<b>2</b>		
Members' subscriptions		2,447,915	2,403,513
Other trading income		1,714,164	1,787,558
		<hr/>	<hr/>
		4,162,079	4,191,071
Administrative expenses		(4,091,436)	(3,995,702)
		<hr/>	<hr/>
<b>Operating profit</b>		<b>70,643</b>	<b>195,369</b>
Interest receivable	<b>6</b>	42,374	40,360
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	<b>3</b>	<b>113,017</b>	<b>235,729</b>
Tax charge on profit on ordinary activities	<b>7</b>	(23,340)	(49,602)
		<hr/>	<hr/>
<b>Retained profit for the financial year</b>	<b>15</b>	<b>89,677</b>	<b>186,127</b>
		<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 10 to 17 form part of these financial statements

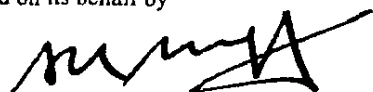
## Balance sheet

at 31 December 2012

	Note	2012	2011
		£	£
<b>Fixed assets</b>			
Tangible assets	8	42,051	16,762
<b>Current assets</b>			
Debtors	9	280,433	564,722
Short term investments	11	1,312,723	1,900,000
Cash at bank and in hand	12	1,694,064	1,070,557
		<u>3,287,220</u>	<u>3,535,279</u>
Creditors amounts falling due within one year	13	(1,643,869)	(1,956,316)
<b>Net current assets</b>		<u>1,643,351</u>	<u>1,578,963</u>
<b>Net assets</b>		<u>1,685,402</u>	<u>1,595,725</u>
<b>Capital and reserves</b>			
Amounts contributed by members	14	25,071	25,071
Reserve fund	15	1,660,331	1,570,654
		<u>1,685,402</u>	<u>1,595,725</u>

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

28 March 2013 and were



**S Sklaroff**  
Director

The notes on pages 10 to 17 form part of these financial statements

## Cash flow statement

for the year ended 31 December 2012

	Note	2012 £	2011 £
<b>Net cash flow from operating activities</b>	<i>16</i>	98,292	358,747
<b>Returns on investments and servicing of finance</b>			
Interest received		42,374	32,770
<b>Taxation</b>			
Corporation tax paid		(49,443)	(50,835)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		(54,993)	(1,297)
<b>Management of liquid resources</b>			
(Increase) in short term deposits not qualifying as cash		587,277	(900,000)
<b>(Decrease) in cash in the period</b>		<u>623,507</u>	<u>(560,615)</u>
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(Decrease) in cash in the period		623,507	(560,615)
Net funds at the start of the period		1,070,557	1,631,172
<b>Net funds at the end of the period</b>	<i>17</i>	<u>1,694,064</u>	<u>1,070,557</u>

The notes on pages 10 to 17 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 2012 there were 115 full members and 85 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

	2012 £	2011 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration		
Audit	13,750	13,100
Amounts receivable by the auditors and their associates in respect of		
Other services relating to taxation	2,500	1,000
Depreciation and other amounts written off tangible fixed assets		
Owned	29,704	27,055
Rentals payable under operating leases		
Hire of office equipment	44,413	59,433
Hire of land and buildings	176,744	176,774
AVCIS and other projects	825,883	923,977
<i>after crediting</i>		
AVCIS and other projects	825,883	923,977
	<u>825,883</u>	<u>923,977</u>

### 4 Remuneration of directors

	2012 £	2011 £
Directors' emoluments	252,174	245,899
Company contributions to money purchase pension schemes	32,320	31,379
	<u>284,494</u>	<u>277,278</u>

The aggregate of emoluments of the highest paid director was £252,174 (2011 £245,899) and company pension contributions of £32,320 (2011 £31,379). 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.

	2012	2011
Total number of employees during the year	<u>22</u>	<u>23</u>

The aggregate payroll costs of these persons were as follows

	2012 £	2011 £
Wages and salaries	1,421,898	1,412,937
Social security costs	171,034	166,139
Other pension costs (see note 19)	160,528	159,232
	<u>1,753,460</u>	<u>1,738,308</u>

**6 Interest receivable**

	2012 £	2011 £
Bank interest received	42,374	32,770
Other interest received	-	7,590
	<u>42,374</u>	<u>40,360</u>

## Notes (continued)

### 7 Taxation

#### Analysis of charge in year

	2012 £	2011 £
<i>UK corporation tax</i>		
Current tax on income for the period	17,864	49,444
	<hr/>	<hr/>
Total current tax	17,864	49,444
	<hr/>	<hr/>
Deferred tax charge/(credit) for the period	5,476	158
	<hr/>	<hr/>
Tax on profit on ordinary activities	23,340	49,602
	<hr/> <hr/>	<hr/> <hr/>

#### Factors affecting the tax charge for the current period

	2012 £	2011 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	113,017	235,729
	<hr/>	<hr/>
Tax on ordinary activities at small company rate of 20% (2011 20.25%)	22,603	47,727
	<hr/>	<hr/>
<i>Effects of</i>		
Depreciation	5,941	5,479
Capital allowances	(11,698)	(3,933)
Other timing differences	133	(1,033)
Expenses not deductible for tax purposes	885	1,204
	<hr/>	<hr/>
Total current tax charge (see above)	17,864	49,444
	<hr/> <hr/>	<hr/> <hr/>

**Notes (continued)**

**8 Tangible fixed assets**

	Leasehold improvements £	Office Equipment £	Total £
<i>Cost</i>			
At beginning of year	257,157	481,039	738,196
Additions	-	54,993	54,993
Disposals	-	-	-
At end of year	<u>257,157</u>	<u>536,032</u>	<u>793,189</u>
<i>Depreciation</i>			
At beginning of year	249,838	471,596	721,434
Charge for the year	7,319	22,385	29,704
Disposals	-	-	-
At end of year	<u>257,157</u>	<u>493,981</u>	<u>751,138</u>
<i>Net book value</i>			
At 31 December 2012	<u>-</u>	<u>42,051</u>	<u>42,051</u>
At 31 December 2011	<u>7,319</u>	<u>9,443</u>	<u>16,762</u>

**9 Debtors: amounts falling due within one year**

	2012 £	2011 £
Trade debtors	66,961	73,959
Other debtors	29,154	127,921
Prepayments and accrued income	176,007	349,055
Deferred tax asset (note 10)	8,311	13,787
	<u>280,433</u>	<u>564,722</u>



## Notes (continued)

### 10 Deferred tax asset

	2012 £	2011 £
At 1 January 2012	13,787	13,945
(Charge)/Credit to profit and loss account	(5,476)	(158)
	<u>8,311</u>	<u>13,787</u>
At 31 December 2012	<u>8,311</u>	<u>13,787</u>
The elements of deferred taxation are as follows		
	2012 £	2011 £
Difference between accumulated depreciation and amortisation and capital allowances	5,534	11 145
Unpaid pension contributions	2,777	2,642
	<u>8,311</u>	<u>13,787</u>
At 31 December 2012	<u>8,311</u>	<u>13,787</u>

### 11 Short term investments

	2012 £	2011 £
Short term fixed deposits	1,312,723	1,900 000
	<u>1,312,723</u>	<u>1,900,000</u>

In 2012 and 2011, the Association placed cash on fixed term deposits which have maturity length of less than one year

### 12 Cash at bank and in hand

	2012 £	2011 £
Cash in hand	528	305
Cash at bank	1,693,536	1 070,252
	<u>1,694,064</u>	<u>1,070,557</u>

**Notes (continued)**

**13 Creditors: amounts falling due within one year**

	2012 £	2011 £
Trade creditors	159,691	417,901
Project creditors	872,486	785,853
Corporation tax	17,864	49,444
Other taxes and social security	103,639	107,486
Other creditors	117,343	9,319
Accruals and deferred income	372,846	586,313
	<u>1,643,869</u>	<u>1,956,316</u>

**14 Amounts contributed by members**

	2012 £	2011 £
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**

	2012 £	2011 £
At beginning of year	1,570,654	1,384,527
Retained profit for the year	89,677	186,127
	<u>1,660,331</u>	<u>1,570,654</u>
At end of year	<u>1,660,331</u>	<u>1,570,654</u>

## Notes (continued)

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

	2012 £	2011 £
Operating profit	70,643	195,369
Depreciation charge	29,704	27,055
(Increase)/Decrease in debtors	278,813	(200,098)
Increase in creditors	(280,868)	336,421
	<u>98,292</u>	<u>358,747</u>
Net cash (outflow)/inflow from operating activities	<u>98,292</u>	<u>358,747</u>

### 17 Analysis of net funds

	At beginning of year £	Net Cash flow £	At end of year £
Cash in hand	305	223	528
Cash at bank	1,070,252	623,284	1,693,536
	<u>1,070,557</u>	<u>623,507</u>	<u>1,694,064</u>
Net funds	<u>1,070,557</u>	<u>623,507</u>	<u>1,694,064</u>

### 18 Commitments

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

	2012 Land and buildings £	Other £	2011 Land and buildings £	Other £
Operating leases which expire				
Within one year	-	1,764	-	-
2-5 years	176,774	55,697	176,774	48,573
Over 5 years	-	-	-	-
	<u>176,744</u>	<u>57,461</u>	<u>176,774</u>	<u>48,573</u>

At 31 December 2012, the Association had not contracted for any future capital expenditure (2011 £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 £160,528 (2011 £159,232)

At the year end there was a creditor in respect of outstanding contributions of £12,538 (2011 £13,209)