

Finance & Leasing Association
(A company limited by guarantee and not having share capital)

**Directors' report and financial
statements**

Registered number 2651248

31 December 2010



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Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010

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, 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 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), John Bennett (until his resignation on 6 October 2010), George Lynn (who replaced John Bennett following his resignation) and W Phillip 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

D Betteley	Jaguar Cars Ltd	Chairman, Resigned 5 May 2010
C Sutton	Blackhorse Motor Finance	Chairman as of 5 May 2010
S Sklaroff	Finance & Leasing Association	Director General
G Ashworth	Aldermore Bank plc	Appointed 28 June 2010
S Baum	Santander UK plc	Chair of Remuneration Committee
J Bennett	Bank of America, NA	Resigned 6 October 2010
S Geneen	Five Arrows Leasing Group Ltd	
G Grimes	Hitachi Capital (UK) plc	Appointed 1 November 2010
G Lynn	Angel Trains Ltd	Appointed 21 June 2010
D Moody	Mercedes-Benz Financial Services UK Ltd	
R Priestman	Lombard North Central plc	Resigned 11 May 2010
D Pumfrey	Bank of America	Resigned 28 February 2011
W P Ross	Honda Finance Europe plc	
C P Stamper	ING Lease (UK) Ltd	Chair of Audit Committee
J Stuart	Barclays	
P Minter	Dunton plc	Appointed 18 March 2010

On 17 March 2011 G Rennison of LaSer UK was appointed as director. On 29 March 2011 N Clibbens of Lombard North Central plc was appointed as director.

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.

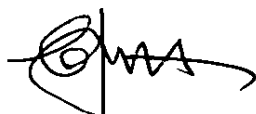
Liability insurance

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



Christopher Sutton
Chairman

Registered number 2651248

Imperial House
15-19 Kingsway
London
WC2B 6UN

29 MARCH 2011

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 United Kingdom Accounting Standards and applicable law (United Kingdom 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 United Kingdom 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 2010 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 sections 495 and 496 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 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/UKNP.

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 2010 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.

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

29 March

2011

Profit and loss account

for the year ended 31 December 2010

	<i>Note</i>	2010 £	2009 £
Turnover	2		
Members' subscriptions		2,344,649	2,335,186
Other trading income		1,615,424	1,502,467
		<hr/>	<hr/>
		3,960,073	3,837,653
Administrative expenses		(3,787,862)	(3,799,153)
		<hr/>	<hr/>
Operating profit		172,211	38,500
Interest receivable	6	26,130	16,382
		<hr/>	<hr/>
Profit on ordinary activities before taxation	3	198,341	54,882
Tax charge on profit on ordinary activities	7	(42,893)	(11,150)
		<hr/>	<hr/>
Retained profit for the financial year	15	<u>155,448</u>	<u>43,732</u>

The Association made no acquisitions and had no discontinued activities

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

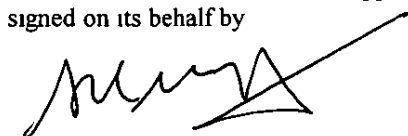
The notes on pages 9 to 16 form part of these financial statements

Balance sheet

at 31 December 2010

	Note	2010	2009
		£	£
Fixed assets			
Tangible assets	8	42,520	97,473
Current assets			
Debtors	9	357,192	412,074
Short term investments	11	1,000,000	-
Cash at bank and in hand	12	1,631,172	1,925,523
		<u>2,988,364</u>	<u>2,337,597</u>
Creditors: amounts falling due within one year	13	<u>(1,621,286)</u>	<u>(1,180,920)</u>
Net current assets		<u>1,367,078</u>	<u>1,156,677</u>
Net assets		<u>1,409,598</u>	<u>1,254,150</u>
Capital and reserves			
Amounts contributed by members	14	25,071	25,071
Reserve fund	15	1,384,527	1,229,079
		<u>1,409,598</u>	<u>1,254,150</u>

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



S Sklaroff
Director

29 MARCH 2011 and were

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

Cash flow statement

for the year ended 31 December 2010

	<i>Note</i>	2010 £	2009 £
Net cash flow from operating activities	<i>16</i>	706,808	(3,699)
Returns on investments and servicing of finance			
Interest received		23,022	16,382
Taxation			
Corporation tax paid		(13,785)	(38,110)
Capital expenditure			
Payments to acquire tangible fixed assets		(10,396)	(28,524)
Management of liquid resources			
(Increase) / Decrease in short term deposits not qualifying as cash		(1,000,000)	501,799
		<hr/>	<hr/>
(Decrease) / Increase in cash in the period		(294,351)	447,848
		<hr/>	<hr/>
Reconciliation of net cash flow to movement in net funds			
(Decrease) / Increase in cash in the period		(294,351)	447,848
Net funds at the start of the period		1,925,523	1,477,675
		<hr/>	<hr/>
Net funds at the end of the period	<i>17</i>	1,631,172	1,925,523
		<hr/>	<hr/>

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 2010 there were 115 full members and 92 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

	2010 £	2009 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i>		
Auditors' remuneration		
Audit	12,000	12,000
Depreciation and other amounts written off tangible fixed assets		
Owned	65,349	58,309
Rentals payable under operating leases		
Hire of office equipment	26,437	34,838
Hire of land and buildings	176,774	176,561
AVCIS and other projects	731,206	742,580
<i>after crediting</i>		
AVCIS and other projects	731,206	742,580
	<u>731,206</u>	<u>742,580</u>

4 Remuneration of directors

	2010 £	2009 £
Directors' emoluments	240,799	237,189
Company contributions to money purchase pension schemes	30,614	30,072
	<u>271,413</u>	<u>267,261</u>

The aggregate of emoluments of the highest paid director was £240,799 (2009 £237,189) and company pension contributions of £30,614 (2009 £30,072). 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

	2010	2009
Total number of employees during the year	<u>22</u>	<u>25</u>

The aggregate payroll costs of these persons were as follows

	2010 £	2009 £
Wages and salaries	1,353,741	1,391,978
Social security costs	157,170	163,878
Other pension costs (see note 20)	147,929	127,951
	<u>1,685,840</u>	<u>1,683,807</u>

6 Interest receivable

	2010 £	2009 £
Bank interest received	23,022	13,605
Other interest received	3,108	2,777
	<u>26,130</u>	<u>16,382</u>

Notes (continued)

7 Taxation

Analysis of charge in year

	2010 £	2009 £
<i>UK corporation tax</i>		
Current tax on income for the period	50,835	13,785
Total current tax	50,835	13,785
Deferred tax (credit) for the period	(7,942)	(592)
Deferred tax (credit) in respect of an earlier period	-	(2,043)
Tax on profit on ordinary activities	42,893	11,150

Factors affecting the tax charge for the current period

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	198,342	54,882
Tax on ordinary activities at small company rate of 21% (2009 21%)	41,652	11,525
<i>Effects of</i>		
Depreciation	13,723	12,245
Capital allowances	(6,940)	(11,936)
Other timing differences	1,159	283
Expenses not deductible for tax purposes	1,241	1,668
Total current tax charge (see above)	50,835	13,785

Notes (continued)

8 Tangible fixed assets

	Leasehold improvements £	Office Equipment £	Total £
Cost			
At beginning of year	257,157	469,346	726,503
Additions	-	10,396	10,396
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	257,157	479,742	736,899
	<hr/>	<hr/>	<hr/>
Depreciation			
At beginning of year	219,241	409,789	629,030
Charge for the year	18,033	47,316	65,349
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of year	237,274	457,105	694,379
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2010	19,883	22,637	42,520
	<hr/>	<hr/>	<hr/>
At 31 December 2009	37,916	59,557	97,473
	<hr/>	<hr/>	<hr/>

9 Debtors: amounts falling due within one year

	2010 £	2009 £
Trade debtors	165,754	102,871
Other debtors	32,458	77,842
Prepayments and accrued income	145,035	225,358
Deferred tax asset (note 10)	13,945	6,003
	<hr/>	<hr/>
	357,192	412,074
	<hr/>	<hr/>

Notes (continued)

10 Deferred tax asset

	2010 £	2009 £
At 1 January 2010	6,003	3,368
Credit to profit and loss account	7,942	2,635
	<u>13,945</u>	<u>6,003</u>
At 31 December 2010	<u>13,945</u>	<u>6,003</u>

The elements of deferred taxation are as follows

	2010 £	2009 £
Difference between accumulated depreciation and amortisation and capital allowances	10,100	3,317
Unpaid pension contributions	3,845	2,686
	<u>13,945</u>	<u>6,003</u>
At 31 December 2010	<u>13,945</u>	<u>6,003</u>

11 Short term investments

	2010 £	2009 £
Short term fixed deposits	1,000,000	-
	<u>1,000,000</u>	<u>-</u>
	<u>1,000,000</u>	<u>-</u>

In 2010, the Association placed cash on fixed term deposits which have maturity length of less than one year
In 2009 all of the Association's monies were placed in instant access deposits

12 Cash at bank and in hand

	2010 £	2009 £
Cash in hand	123	208
Cash at bank	1,631,049	1,925,315
	<u>1,631,172</u>	<u>1,925,523</u>
	<u>1,631,172</u>	<u>1,925,523</u>

Notes (continued)

13 Creditors: amounts falling due within one year

	2010 £	2009 £
Trade creditors	109,796	228,724
Project creditors	731,657	546,977
Corporation tax	50,835	13,785
Other taxes and social security	93,064	89,927
Other creditors	133,214	85,212
Accruals and deferred income	502,720	216,295
	<u>1,621,286</u>	<u>1,180,920</u>

14 Amounts contributed by members

	2010 £	2009 £
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

	2010 £	2009 £
At beginning of year	1,229,079	1,185,347
Retained profit for the year	155,448	43,732
	<u>1,384,527</u>	<u>1,229,079</u>

Notes (continued)

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

	2010 £	2009 £
Operating profit	172,212	38,500
Depreciation charge	65,349	58,309
Decrease in debtors	65,931	28,524
Increase/(Decrease) in creditors	403,316	(129,032)
	<u>706,808</u>	<u>(3,699)</u>
Net cash (outflow)/inflow from operating activities	<u>706,808</u>	<u>(3,699)</u>

17 Analysis of net funds

	At beginning of year £	Net Cash flow £	At end of year £
Cash in hand	208	(85)	123
Cash at bank	1,925,315	(294,266)	1,631,049
	<u>1,925,523</u>	<u>(294,351)</u>	<u>1,631,172</u>
Net funds	<u>1,925,523</u>	<u>(294,351)</u>	<u>1,631,172</u>

18 Commitments

At 31 December 2010 the Association had annual commitments under leases as set out below

	2010		2009	
	Land and building £	Other £	Land and building £	Other £
Operating leases which expire				
Within one year	-	11,293	-	25,404
2-5 years	176,774	-	176,774	8,793
Over 5 years	-	-	-	-
	<u>176,774</u>	<u>11,293</u>	<u>176,774</u>	<u>34,197</u>

At 31 December 2010, the Association had not contracted for any future capital expenditure (2009 £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 £147,929 (2009 £127,951)

At the year end there was a creditor in respect of outstanding contributions of £18,311 (2009 £12,790)