



Finance & Leasing
Association

Finance & Leasing Association

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

Directors' report and financial statements

31 December 2002

Registered number 2651248



1992 – 2002



A limited company
Registered in England No. 2651248



INVESTOR IN PEOPLE

Financing Consumers & Businesses 1992 – 2002

REGISTERED OFFICE: IMPERIAL HOUSE 15-19 KINGSWAY LONDON WC2B 6UN TELEPHONE 020 7836 6511
FACSIMILE 020 7420 9600 WEBSITE: <http://www.fla.org.uk> EMAIL: info@fla.org.uk

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 2002.

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 regulators, 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 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 or overseas organisations that satisfy the full membership criteria with trade solely outside the UK.

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

Remuneration Committee

The 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 Board who served during the period were as follows:

Peter Miles	Lloyds TSB Leasing Limited	Chairman
Martin Hall	Finance & Leasing Association	Director General
Michael Barley	Close Brothers Ltd	
Christopher Boobyer	Barclays Asset Finance Ltd	
Peter de Rousset-Hall	Ford Financial Britain – FCE Bank plc	
Sam Geneen	Five Arrows Leasing Group Ltd	
Philip George	First National Group	
Adrian Hill	HFC Bank plc	(appointed 16 th May 2002)
David Betteley	Toyota Financial Services (UK) PLC	(appointed 16 th May 2002)
Pat Crowfoot	MBNA Europe Bank Ltd	(appointed 31 st January 2002)

Directors' report (continued)

Directors and directors' interests (cont'd)

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.

Political and charitable contributions

The Association made no political or charitable contributions during the year.

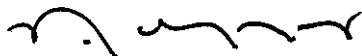
Liability Insurance

During the year the company 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.



D Jeffrey
Company Secretary
February 2003

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 Association and of the profit or loss of the Association 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 Association 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 Association 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 Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities



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

We have audited the financial statements on pages 5 to 11.

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 are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Association's affairs as at 31st December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditors
London

20 February 2003

Profit and loss account
for the year ended 31st December 2002

	Note	2002 £	Restated 2001 £
Turnover			
Members' subscriptions		2,197,378	2,036,452
Other trading income		1,222,028	867,352
		<u>3,419,406</u>	<u>2,903,804</u>
Administrative expenses		(3,151,877)	(2,525,070)
Operating Profit		<u>267,529</u>	<u>378,734</u>
Interest receivable		51,592	58,697
Profit on ordinary activities			
before taxation	3	319,121	437,431
Tax on profit for the financial year	6	(72,279)	(113,516)
Retained profit for the financial year	12	<u>246,842</u>	<u>323,915</u>

The company made no acquisitions and had no discontinued activities.

Statement of Total Recognised Gains and Losses
for the year ended 31st December 2002

The Statement of total recognised gains is therefore as follows.

		2002 £	Restated 2001 £
Profit for the financial year		246,842	323,915
Total recognised gain for the year		<u>246,842</u>	<u>323,915</u>
Prior year adjustment	2	12,012	
Total gain since last annual report		<u>258,854</u>	

The notes on pages 7 to 11 form an integral part of these financial statements

The figures for 2001 have been restated to reflect the adoption of UK Financial Reporting Standard 19 "Deferred Tax" details of which are set out in Note 2 on page 8.

Balance sheet at 31 December 2002

	Note	2002		Restated 2001	
		£	£	£	£
Fixed assets					
Tangible assets	7		42,534		98,682
Current assets					
Debtors	8	257,053		322,500	
Deferred Tax	9	13,690		12,012	
Cash at Bank and in hand		<u>1,364,079</u>		<u>954,969</u>	
		<u>1,634,822</u>		<u>1,289,481</u>	
Creditors: amounts falling due within one year					
	10	<u>(1,125,858)</u>		<u>(996,708)</u>	
Net current assets			<u>508,964</u>		<u>292,773</u>
Total assets less current liabilities			<u>551,498</u>		<u>391,455</u>
Net assets			<u>551,498</u>		<u>391,455</u>
Amounts due to members	11		190,511		277,310
Capital and reserves					
Reserve Fund	12		<u>360,987</u>		<u>114,145</u>
			<u>551,498</u>		<u>391,455</u>

The figures for 2001 have been restated to reflect the adoption of UK Financial Reporting Standard 19 "Deferred Tax" details of which are set out in Note 2 on page 8.

These financial statements were approved by the board of directors on **20** February 2003 and were signed on its behalf by:

Peter B Miles

Martin A Hall




Director

Director

The notes on pages 7 to 11 form an integral 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 2002 there were 113 full members and 84 associate members.

2. Accounting policies

With the exception of the introduction of the Association's policy on accounting for deferred tax (Note 2), 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.

A cash flow statement has not been prepared on the grounds that the Association qualifies as a "small company".

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

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 contributions are made to the Group Personal Pension Scheme as set out in Note 14. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

Accounting policies (continued)

Taxation

The Association has adopted the provisions of the UK Financial Reporting Standard FRS 19 "Deferred Tax" with effect from 1st January 2002. Deferred tax is now recognised in full on timing differences between the accounting and tax treatment of income and expenditure subject to recoverability of deferred tax assets. Deferred tax balances are not discounted. Previously deferred tax assets and liabilities were only recognised to the extent they were expected to crystallise. The change in accounting policy has been reflected by way of a prior year adjustment. The comparative figures have been restated as follows:-

Profit and Loss account – tax on ordinary activities

	2001 £
Under previous policy	125,528
Prior year adjustment	(12,012)
Under new policy	<u>113,516</u>

Balance Sheet (31st December 2001)

	<u>Deferred Tax</u>	<u>Reserve Fund</u>
Under previous policy	0	102,133
Adoption of FRS 19	12,012	12,012
Under new policy	<u>12,012</u>	<u>114,145</u>

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, rental income from surplus office space and project income from chargeable projects carried out on a cost recovery basis on behalf of groups of members, excluding value added tax.

3 Profit on ordinary activities before taxation

	2002 £	2001 £
Profit on ordinary activities before taxation is stated		
<i>after charging:</i>		
Auditors' remuneration:		
Audit	7,500	7,500
Other services	17,000	2,500
Depreciation and other amounts written off tangible fixed assets:		
Owned	83,944	107,337
Hire of office equipment – rentals payable under operating leases	46,389	53,920
Rentals payable under other operating leases	255,123	237,938
Vehicle fraud unit project	402,402	158,658
<i>and crediting:</i>		
Rental income from sub-lease	144,639	147,620
Vehicle fraud unit project	402,402	158,658

4. Remuneration of directors

There was only one paid director whose emoluments, excluding pension contributions were £193,176 (2001: £183,675). These were determined by the Remuneration Committee of the Board. The pension contributions on behalf of the director to the Association's money purchase scheme were £22,298 (2001: £21,195).

5. Staff numbers and costs

The average number of persons employed by the Association (including the Director General) during the year, analysed by category, was as follows:

	Number of employees	
	2002	2001
Management	13	10
Administration	7	8
	<u>20</u>	<u>18</u>

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£	£
Wages and salaries	810,723	723,852
Social security costs	80,190	74,079
Other pension costs (see note 14)	84,952	80,815
	<u>975,865</u>	<u>878,746</u>

6. Taxation

Analysis of tax charge in the year

	2002	Restated 2001
	£	£
UK Corporation tax on profits in the period	72,129	121,107
Adjustment in respect of the prior period	1,829	4,421
Total Current Tax	<u>73,958</u>	<u>125,528</u>
Origination and reversal of timing differences	(3,424)	(12,012)
Effect of reduced tax rate on opening asset	1,745	0
Total Deferred Tax	<u>(1,679)</u>	<u>(12,012)</u>
Tax on profit on ordinary activities	<u>72,279</u>	<u>113,516</u>

Factors affecting tax charge for the period

Profit on ordinary activities before tax	319,121	437,431
Profit on ordinary activities multiplied by standard rate of corporation tax of 20.97% (2001: 24.53%)	66,909	107,311
Effects of:		
Adjustment in respect of prior periods	1,829	4,421
Short term timing differences	3,424	12,012
Permanent disallowed expenses	1,796	1,784
Total current tax for the period	<u>73,958</u>	<u>125,528</u>

The Association is subject to the marginal relief rules when calculating its corporation tax liability.

7. Tangible fixed assets

	Leasehold Improvements £	Office Equipment £	Total £
Cost			
At beginning of period	194,271	240,608	434,879
Additions	<u>0</u>	<u>27,796</u>	<u>27,796</u>
At end of period	<u>194,271</u>	<u>268,404</u>	<u>462,675</u>
Depreciation			
At beginning of period	157,396	178,801	336,197
Charge for year	<u>36,875</u>	<u>47,069</u>	<u>83,944</u>
At end of period	<u>194,271</u>	<u>225,870</u>	<u>420,141</u>
Net book value			
At 31 December 2002	<u>0</u>	<u>42,534</u>	<u>42,534</u>
At 31 December 2001	<u>36,875</u>	<u>61,807</u>	<u>98,682</u>

8. Debtors: amounts falling due within one year

	2002 £	2001 £
Trade debtors (less specific provisions of £26,895 (2001: £3080))	164,103	139,023
Other debtors	3,231	77,661
Prepayments and accrued income	<u>89,719</u>	<u>105,816</u>
	<u>257,053</u>	<u>322,500</u>

Trade Debtors include debtors for projects managed by the Association on behalf of members.

9. Deferred Tax Asset

	2002 £	2001
At 1 st January 2002 (restated)	12,012	
Credit to Profit and Loss Account	<u>1,678</u>	
At 31 st December 2002	<u>13,690</u>	
Short-term timing differences	0	2,353
Excess depreciation over capital allowances	<u>13,690</u>	<u>9,659</u>
Provision for deferred tax	<u>13,690</u>	<u>12,012</u>

10. Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	670,536	530,010
Corporation tax	73,958	126,762
Other taxes and social security	39,649	21,149
Other creditors	<u>172,599</u>	<u>180,209</u>
	<u>956,742</u>	<u>858,130</u>
Accruals and deferred income	<u>169,116</u>	<u>138,578</u>
	<u>1,125,858</u>	<u>996,708</u>

Trade Creditors include creditors for projects managed by the Association on behalf of members.

11. Amounts due to members

	2002 £	2001 £
Members' loan capital	25,071	25,071
Amount due to members	<u>165,440</u>	<u>252,239</u>
	<u>190,511</u>	<u>277,310</u>

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

12. Reserve Fund

	2002 £	Restated 2001 £
At beginning of year	114,145	(209,770)
Retained profit for the year	<u>246,842</u>	<u>323,915</u>
At end of year	<u>360,987</u>	<u>114,145</u>
Reserves		
At 1 st January as previously reported	102,133	
Prior year adjustment	<u>12,012</u>	
As Restated	<u>114,145</u>	
Retaining profit for year	<u>246,842</u>	
	<u>360,987</u>	

13. Commitments

At 31 December 2002 the company had annual commitments under operating leases as set out below:

	2002		2001	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	3,100	9,327	0	0
2-5 years	133,410	26,024	0	39,285
Over 5 years	<u>0</u>	<u>0</u>	<u>242,730</u>	<u>0</u>
	<u>136,510</u>	<u>35,351</u>	<u>242,730</u>	<u>39,285</u>

14. Pension scheme

From November 1996 the Company contributed to the Group Personal Pension Scheme.

The pension cost charge for the year represented contributions payable by the company and amounted to £84,952 (2001: £80,815).

15. 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.