



Finance & Leasing
Association

Finance & Leasing Association

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

Directors' report and financial statements

31st December 2003

Registered number 2651248



INVESTOR IN PEOPLE

A limited company
Registered in England No. 2651248

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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 2003.

Principal activities

The principal activities of the Association have been to continue to advance the interest of its members and their customers by promoting an open, competitive and fairly regulated market place 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 which 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 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. The Remuneration Committee is advised by Angela Harvey Associates who conduct a Remuneration Survey of Trade Associations.

Directors and directors' interests

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

Peter de Rousset-Hall	Ford Financial Britain – FCE Bank plc	Chairman
Martin Hall	Finance & Leasing Association	Director General
Peter Miles	Lloyds TSB Leasing Limited	
Christopher Boobyer	Barclays Asset Finance Ltd	
Sam Geneen	Five Arrows Leasing Group Ltd	
Adrian Hill	HFC Bank plc	
David Betteley	Toyota Financial Services (UK) PLC	
Simon Baum	Alliance & Leicester Personal Finance Ltd	
Mike Hall	Citifinancial Europe PLC	
Chris Stamper	Abbey National Business	
Peter Cottle	Capital Bank Motors PLC	

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 Association 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
26th February 2004

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 the Finance & Leasing Association

We have audited the financial statements on pages 5 to 13.

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.

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 2003 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

26 February 2004

Profit and loss account
for the year ended 31st December 2003

	Note	2003 £	2002 £
Turnover			
Members' subscriptions	2	2,256,058	2,197,378
Other trading income		1,274,408	1,222,028
		<u>3,530,466</u>	<u>3,419,406</u>
Administrative expenses		(3,311,781)	(3,151,877)
Operating Profit		<u>218,685</u>	<u>267,529</u>
Interest receivable		50,093	51,592
Profit on ordinary activities before taxation		<u>268,778</u>	<u>319,121</u>
Tax on profit for the financial year	3	(56,572)	(72,279)
Retained profit for the financial year	6	<u>212,206</u>	<u>246,842</u>
	13		

The Association made no acquisitions and had no discontinued activities.

Statement of total recognised gains and losses
for the year ended 31st December 2003

The Statement of total recognised gains is therefore as follows.

		2003 £	2002 £
Profit for the financial year		212,206	246,842
Total recognised gain for the year		212,206	246,842
Prior year adjustment	2	0	12,012
Total gain since last annual report		<u>212,206</u>	<u>258,854</u>

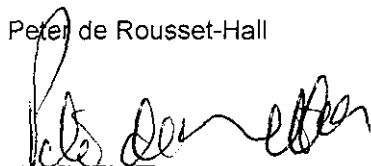
The notes on pages 8 to 13 form an integral part of these financial statements

Balance sheet
as at 31 December 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	7	35,604	42,534
Current assets			
Debtors	8	373,616	257,053
Deferred Tax	9	14,355	13,690
Cash at Bank and in hand	10	<u>1,517,553</u>	<u>1,364,079</u>
		1,905,524	1,634,822
Creditors: amounts falling due within one year	11	<u>(1,177,424)</u>	<u>(1,125,858)</u>
Net current assets		<u>728,100</u>	<u>508,964</u>
Net assets		<u>763,704</u>	<u>551,498</u>
Amounts due to members	12	190,511	190,511
Capital and reserves			
Reserve Fund	13	<u>573,193</u>	<u>360,987</u>
		<u>763,704</u>	<u>551,498</u>

These financial statements were approved by the board of directors on 26th February 2004 and were signed on its behalf by:

Peter de Rousset-Hall


Director

Martin A Hall


Director

The notes on pages 8 to 13 form an integral part of these financial statements

Cash flow statement for the year ended 31st December 2003

	Note	2003 £	2002 £
Reconciliation of operating profit to net cash flow from operating activities			
Operating Profit		218,685	267,529
Write off of fixed asset		348	0
Depreciation charge		25,088	83,944
(Increase) / decrease in debtors		(116,563)	65,447
Increase in creditors		70,116	180,720
Net cash inflow from operating activities		<u>197,674</u>	<u>597,640</u>

Cash flow statement

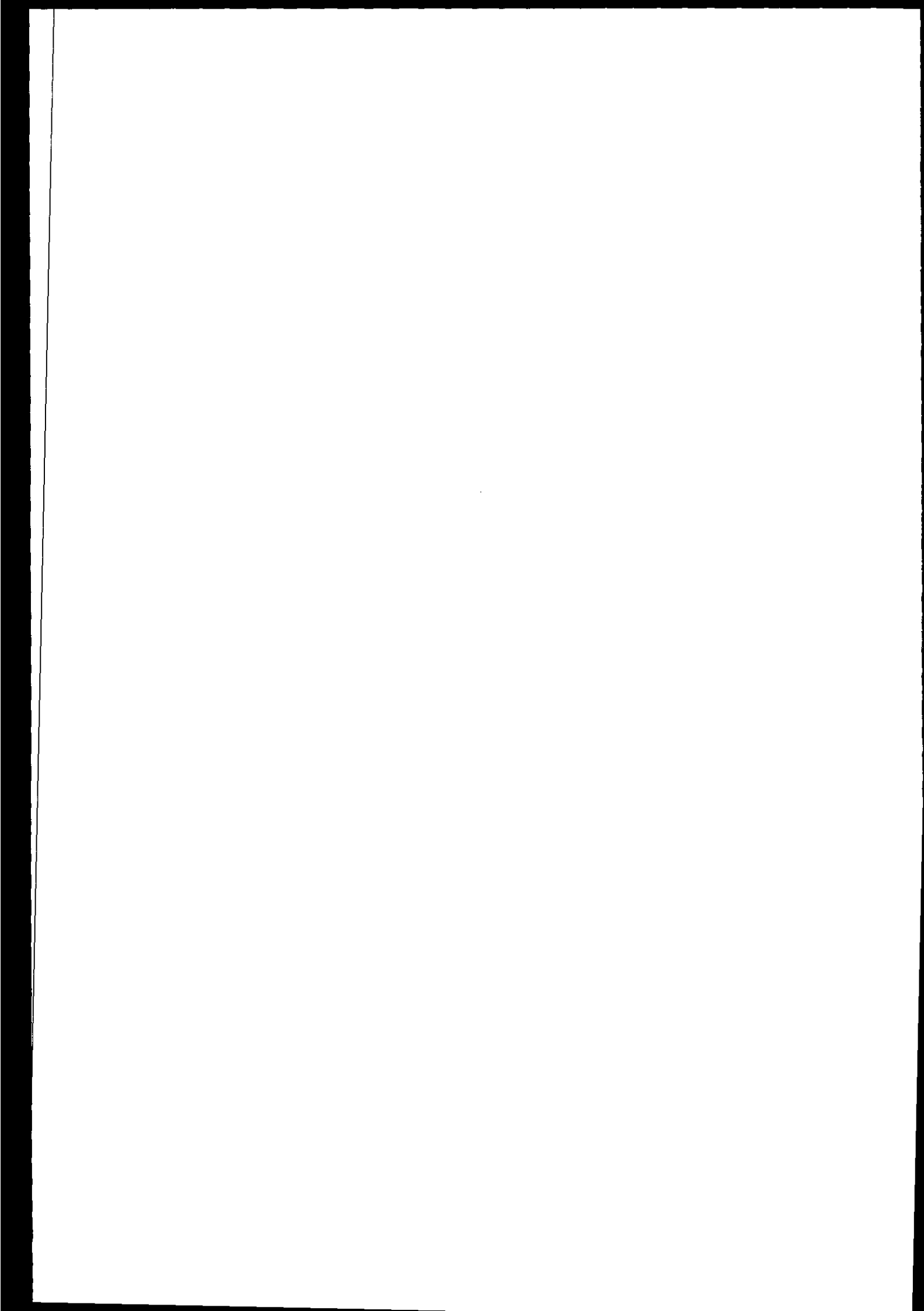
Net cash flows from operating activities	197,674	597,640
Returns on investment and servicing of finance		
Interest received	50,093	51,592
Taxation		
Corporation Tax paid	(75,787)	(125,527)
Capital Expenditure		
Payments to acquire tangible fixed assets	<u>(18,506)</u>	<u>(27,796)</u>
Cash inflow before management of liquid resources and financing	153,474	495,909
Management of liquid resources and financing		
Cash Investments	311,839	(424,923)
Amounts due to Members	0	(86,799)
Increase/ (decrease) in cash in the period	<u>465,313</u>	<u>(15,813)</u>

Reconciliation of net cash flow to movement in net funds

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Increase/ (decrease) in cash in the period	465,313	(15,813)
Cash to pay members loans	0	86,799
Cash used to increase liquid resources	<u>(311,839)</u>	<u>424,923</u>
Movement in net funds in the period	153,474	495,909
Net funds at the start of the period	1,173,568	677,659
Net funds at the end of the period	<u>1,327,042</u>	<u>1,173,568</u>

The notes on pages 8 to 13 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 2003 there were 106 full members and 74 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.

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

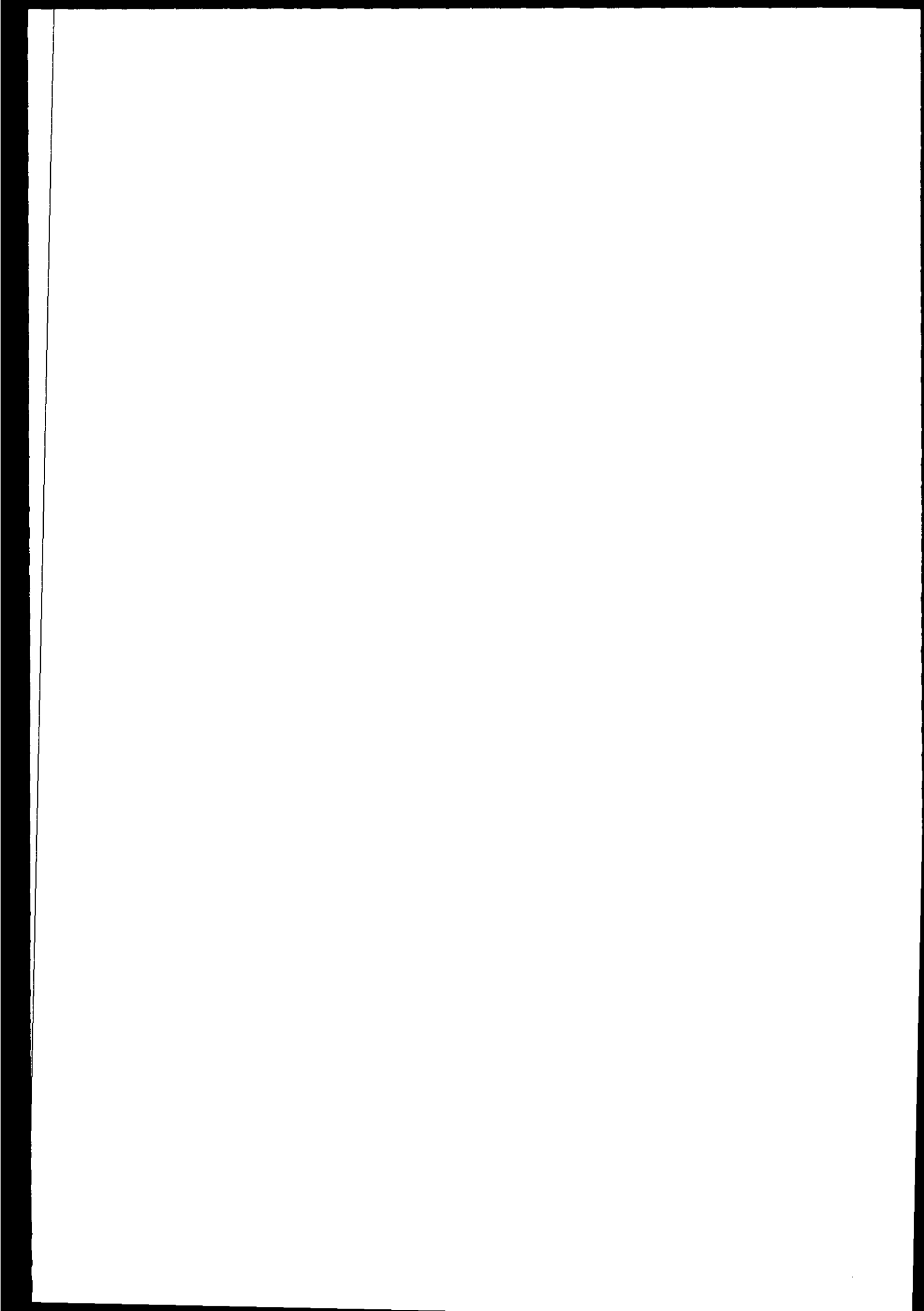
Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included 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 16. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.



Notes (continued)

2. Accounting policies (continued)

Taxation

Deferred tax is recognised without discounting in respect of all timing differences between treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19. Prior to 2002 deferred tax assets and liabilities were only recognised to the extent they were expected to crystallise.

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.

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 which are disposable without curtailing or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values. Liquid resources comprise term deposits of less than one year (other than cash).

3 Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated		
<i>after charging:</i>		
Auditors' remuneration:		
Audit	8,000	7,500
Other services	4,000	17,000
Depreciation and other amounts written off tangible fixed assets:		
Owned	25,088	83,944
Hire of office equipment – rentals payable under operating leases	33,817	46,389
Rentals payable under other operating leases	172,227	255,123
Vehicle Fraud Unit project	409,768	402,402
UV Lamp Project	167,936	0
<i>and crediting:</i>		
Rental income from sub-lease	0	144,639
Vehicle Fraud Unit project	409,768	402,402
UV Lamp Project	168,221	0

4. Remuneration of directors

There was only one paid director whose emoluments, excluding pension contributions were £216,051 (2002: £193,176). 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 £24,750 (2002: £22,298).

Notes (continued)

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	
	2003	2002
Management	14	13
Administration	7	7
	<u>21</u>	<u>20</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	883,709	810,723
Social security costs	89,614	80,190
Other pension costs (see note 16)	103,369	84,952
	<u>1,076,692</u>	<u>975,865</u>

6. Taxation

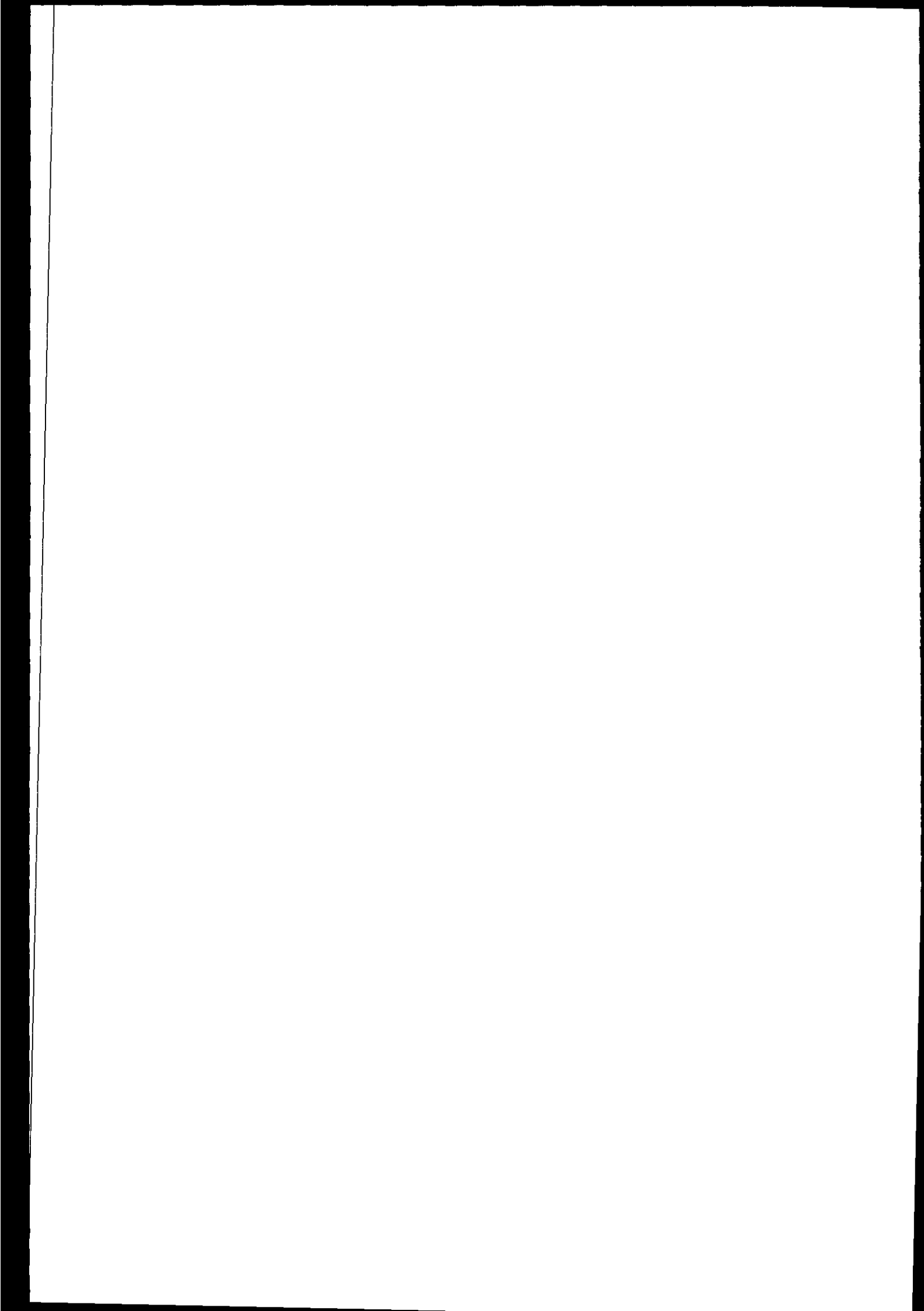
Analysis of tax charge in the year

	2003	2002
	£	£
UK Corporation tax on profits in the period	57,237	72,129
Adjustment in respect of the prior period	0	1,829
Total Current Tax	<u>57,237</u>	<u>73,958</u>
Origination and reversal of timing differences	(1,927)	(3,424)
Effect of reduced tax rate on opening asset	1,262	1,745
Total Deferred Tax	<u>(665)</u>	<u>(1,679)</u>
Tax on profit on ordinary activities	<u>56,572</u>	<u>72,279</u>

Factors affecting tax charge for the period

Profit on ordinary activities before tax	268,778	319,121
Profit on ordinary activities multiplied by standard rate of corporation tax of 19.03% (2002: 20.97%) for medium sized company	51,156	66,909
Effects of:		
Adjustment in respect of prior periods	0	1,829
Short term timing differences	1,927	3,424
Permanent disallowed expenses	4,154	1,796
Total current tax for the period	<u>57,237</u>	<u>73,958</u>

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



Notes (continued)

7. Tangible fixed assets

	Leasehold improvements	Office Equipment	Total
	£	£	£
Cost			
At beginning of period	194,271	268,404	462,675
Additions	0	18,506	18,506
Disposals	0	(1,139)	(1,139)
At end of period	<u>194,271</u>	<u>285,771</u>	<u>480,042</u>
Depreciation			
At beginning of period	194,271	225,870	420,141
Charge for year	0	25,088	25,088
Disposal	0	(791)	(791)
At end of period	<u>194,271</u>	<u>250,167</u>	<u>444,438</u>
Net book value			
At 31 December 2003	<u>0</u>	<u>35,604</u>	<u>35,604</u>
At 31 December 2002	<u>0</u>	<u>42,534</u>	<u>42,534</u>

8. Debtors: amounts falling due within one year

	2003 £	2002 £
Trade debtors (after specific provisions of £23,036 (2002:£26,895))	146,809	164,103
Other debtors	102,583	3,231
Prepayments and accrued income	124,224	89,719
	<u>373,616</u>	<u>257,053</u>

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

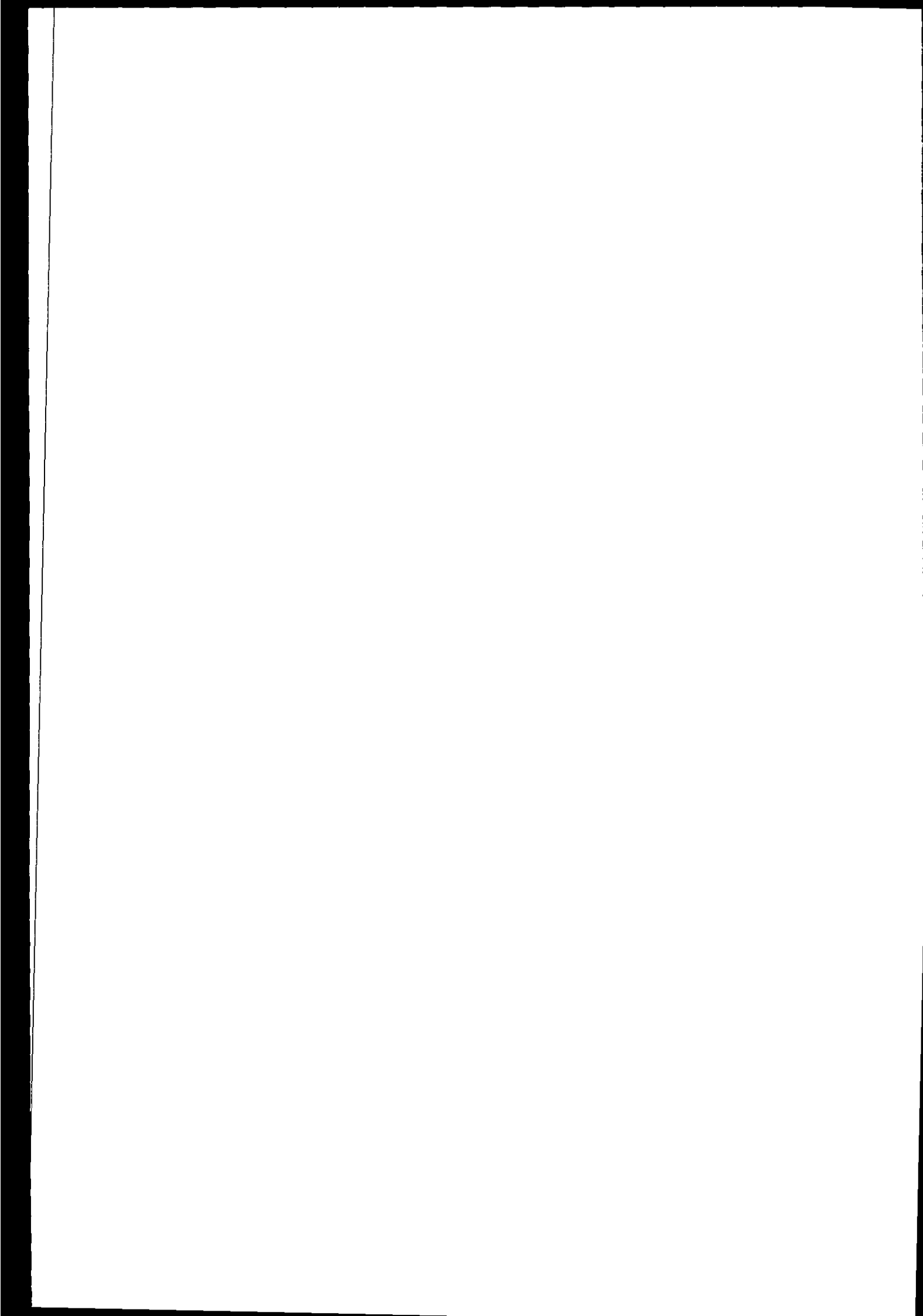
9. Deferred tax asset

	2003 £	2002 £
At 1 January	13,690	12,012
Credit to Profit and Loss Account	665	1,678
At 31 December	<u>14,355</u>	<u>13,690</u>

The deferred tax asset arises on excess depreciation over capital allowances.

10. Cash at bank and in hand

	2003 £	2002 £
Current accounts	431,718	213
Overdrafts	(54,262)	(88,070)
Term deposits	1,140,097	1,451,936
	<u>1,517,553</u>	<u>1,364,079</u>



Notes (continued)

11. Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	187,850	123,613
Vehicle Fraud Unit deferred income	537,850	546,923
Corporation tax	55,408	73,958
Other taxes and social security	32,025	39,649
Other creditors	194,755	172,599
Accruals and deferred income	169,536	169,116
	<u>1,177,424</u>	<u>1,125,858</u>

12. Amounts due to members

	2003	2002
	£	£
Members' loan capital	25,071	25,071
Amount due to members	165,440	165,440
	<u>190,511</u>	<u>190,511</u>

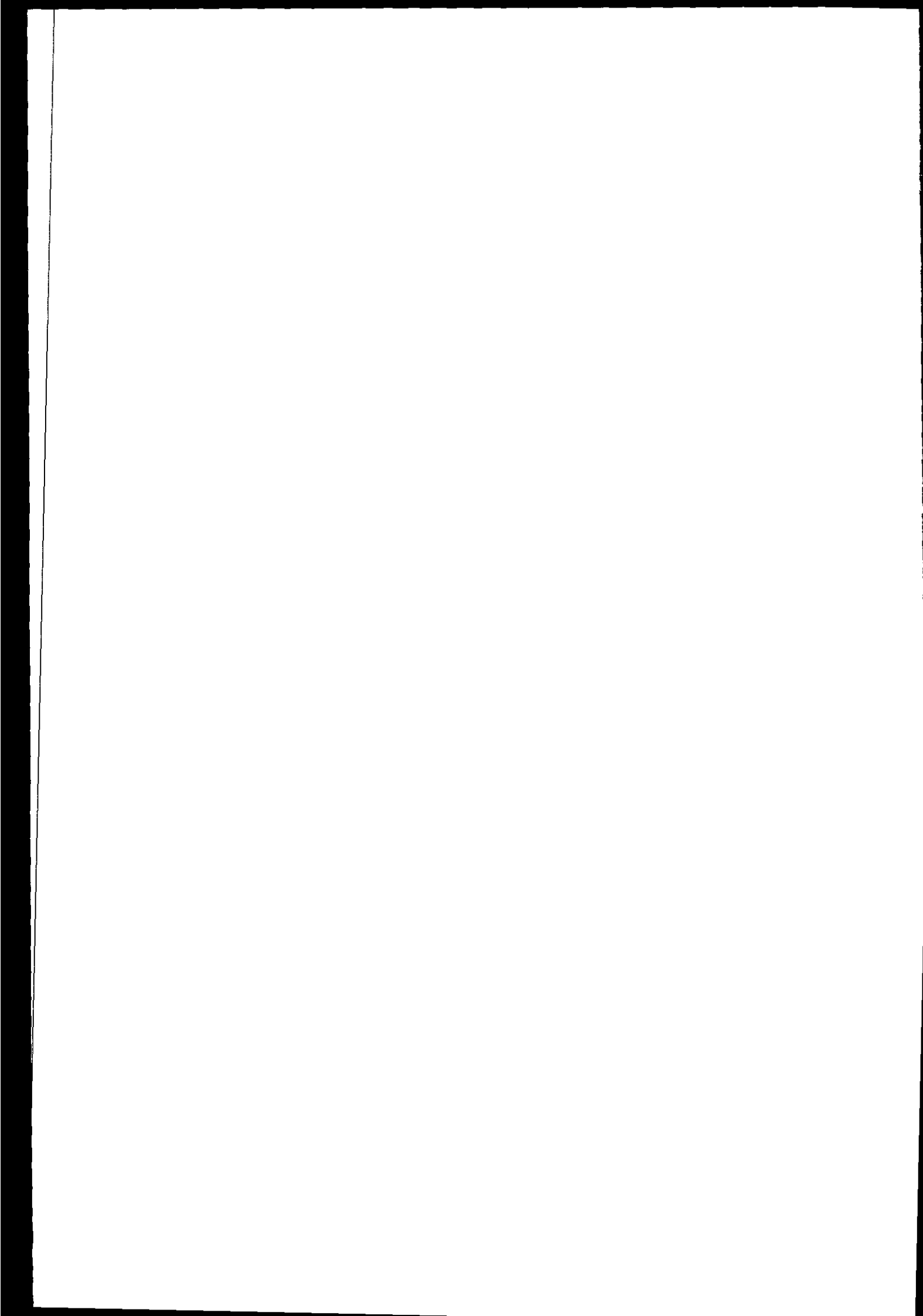
The members' loan capital has no fixed maturity date and members have waived their entitlement to interest thereon.

13. Reserve fund

	2003	2002
	£	£
At beginning of year	360,987	114,145
Retained profit for the year	212,206	246,842
At end of year	<u>573,193</u>	<u>360,987</u>

14. Analysis of net funds

	At beginning of year £	Cash flow £	At end of year £
Cash in hand, at bank	213	431,505	431,718
Overdrafts	(88,070)	33,808	(54,262)
Debt due after one year	(190,511)	0	(190,511)
Term deposits	1,451,936	(311,839)	1,140,097
Total	<u>1,173,568</u>	<u>153,474</u>	<u>1,327,042</u>



Notes (continued)

15. Commitments

At 31 December 2003 the Association had annual commitments under operating leases as set out below:

	2003		2002	
	Land and Buildings £	Other £	Land and Buildings £	Other £
Operating leases which expire:				
Within 1 year	0	1,776	3,100	9,327
2-5 years	172,000	27,480	133,410	26,024
Over 5 years	0	0	0	0
	<u>172,000</u>	<u>29,256</u>	<u>136,510</u>	<u>35,351</u>

16. Pension scheme

From November 1996 the Association contributed to the Group Personal Pension Scheme, a defined contribution scheme.

The pension cost charge for the year represented contributions payable by the Association and amounted to £103,369 (2002: £84,952).

17. Counter indemnities in respect of bank guarantees

Barclays Bank plc has entered into counter indemnities on behalf of the Association in respect of guarantees to the sum of £83,160 in favour of the Association's Landlords.

