



# ANNUAL REPORT

---

## 2022



# CONTENTS

- 3 CHAIR'S FOREWORD
- 5 DIRECTOR GENERAL'S FOREWORD
- 7 DIRECTORS' REPORT
- 20 STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS
- 21 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE & LEASING ASSOCIATION
- 24 - 26 FINANCIAL STATEMENTS
- 27 NOTES





## CHAIR'S FOREWORD

The FLA's markets performed extremely well during a very challenging year. Members provided £148 billion of new business – a record level, and 12% higher than in 2021. Within this figure, asset finance grew by 6% to £34 billion, and new lending to SMEs for investment in machinery, equipment and vehicles exceeded £22 billion – another record broken. The same was true in the consumer finance sector, with new lending of £115 billion, including £41 billion for motor finance.



The FLA's markets performed extremely well during a very challenging year.

This is an extraordinary achievement against a backdrop of political instability and tough economic conditions. It underlines the importance of lenders to the UK economy but also the need to ensure that the right finance is available at the right time and at the right price for businesses and consumers. Without this, investment is delayed and consumption falters.

On the first point about the right finance, the British Business Bank noted in its Small Business Finance Markets Report 2023 that SMEs are increasingly choosing to borrow from challenger and specialist lenders. It was useful then to see in the recent Budget, the Chancellor adopted the FLA's proposal for the full expensing of business investment. We also heard from HM Treasury that they were keen to speak to us to see how leasing could be included in that regime.

It's a major achievement to have the importance of leasing recognised in this way, as it would help to ensure that firms can choose the right finance that works for them, whether the objective is to maintain cash flow, manage obsolescence or address intermittent usage of an asset.

Access to finance is critical, not only to fund investment or purchases but to sustain business confidence. The free flow of funding to all corners of the market is a positive indicator. Without it, the retrenching of plans comes at the expense of growth, innovation and investment – the trinity

that powers productivity. The UK needs a thriving, competitive and forward-looking finance sector. The FLA's work on the Future of Credit, reform of the Consumer Credit Act, and the Association's proposal for an Independent Liquidity Funding Scheme (ILF) for independent business and consumer lenders all support that objective.

The Government's Net Zero targets will require businesses and individual consumers to change how they operate, produce goods, travel, and heat their premises or homes. Innovations in green assets and technology mean there are options out there, but many are new to the market, and the risks are difficult to predict for lenders who are pricing finance. With the Net Zero targets fast approaching, the UK cannot afford to have anyone priced out of the market. A Green Finance Wholesale Guarantee made available to wholesale funders would keep the cost of that finance within the reach of more customers.

This is an ambitious agenda, but the FLA's objective to help members grow sustainable and trusted finance markets for their customers is the common thread connecting each of these points. Members' input has been of critical importance to ensure that the Association's recommendations are credible, compelling, and based on sound market expertise – and it is this factor which makes the FLA a trusted voice for the industry.

I would like to thank my fellow Board members, the wider membership and FLA staff for their support over the last year, and I look forward to working with you all as we see what we can achieve together in 2023.

**Rebecca McNeil**  
Chair of the FLA

30 April 2023



FINANCED BY FLA MEMBERS:

---

**£115**

billion to households

---

---

**£50**

billion for motor finance

---

---

**£34**

billion asset finance to businesses,  
including £22.5 billion to SMEs

---

---

**£55**

billion by non-bank lenders

---

---

**84%**

of all new private car registrations

---

---

**£148**

billion total of new finance to UK  
businesses, households, and the  
public sector

---







## DIRECTOR GENERAL'S FOREWORD

After years of pressing for reform of the Consumer Credit Act, we were pleased that in 2022, the Government committed to consult on change. The FLA has submitted a comprehensive response to this consultation with input from many members. The Government also heeded the Association's call to introduce 'full expensing' in its review of the super-deduction. Promoting fairness for customers is a core aim for the FLA, and so ensuring members were ready for the new Consumer Duty was a major project. During the past 12 months, the FLA has strengthened its Lending and Business Codes, campaigned for better regulation of complaints management companies, expanded the scope of the consumer and retail motor finance complaint benchmarking services, and launched a major research project: *The Future of Credit*.

The FLA's ability to react to evolving situations has been put to the test over the past few years, and the emerging challenge for 2022 was the impact of the cost-of-living crisis on customers' finances. Members were quick to support customers facing financial difficulty, and the FLA responded swiftly by hosting sessions for members to share best practice.

The FLA also helps members to strengthen their businesses by promoting diversity and inclusion (D&I). This year, it has commended the *Women in Finance Charter* to members and embedded D&I across all FLA's own activities and is reviewing strategies to further this.

Looking ahead, the Association has long made the case for a business environment which incentivises and makes greater use of technology, data and digitalisation, both within the wider industry and in the FLA's own operations. These elements have many different applications across our sector, from preventing fraud to providing insight for more informed business decisions. Therefore, over the past 12 months, the FLA has worked to accelerate the adoption of Digital ID.

The Association has also taken steps to increase capacity to provide enhanced data services to members through extra resources in the research team. Additionally, a new data project has been established, with the aim of expanding the services offered to members over the coming years.

We have been able to recruit new staff across the FLA through cost-saving efficiencies. These were made through adapting to new hybrid working practices and reducing the cost of office space,

which has facilitated a move to the cloud and enhanced IT structure.

Specialist staff have also been recruited to develop member services and training, which will build on this year's sterling achievement of providing workshops, conferences, and training for over 900 people. The breadth of topics has been impressive this year and included: broker oversight, consumer duty, collections and vulnerability, digital opportunities, emerging technology, environmental, social and governance (ESG), financial crime, net zero and operational resilience.

Training is a much-valued part of the Association's offering, and the FLA's Diploma in Asset Finance remains a popular choice for industry staff. Meanwhile, 43,000 people have now taken the 'expert test' on the Specialist Automotive Finance

“

The FLA's ability to react to evolving situations has been put to the test over the past few years, and the emerging challenge for 2022 was the impact of the cost-of-living crisis on customers' finances.



platform, which is in the process of being further developed. The Association will continue to develop a package of constantly evolving tailored training resources in the year ahead.

The FLA is in a strong and sustainable financial position, with membership at 261 and a surplus for the year of over £300,000. This performance will continue to allow the FLA to invest in the delivery of enhanced member services in 2023, focusing on the Association's principal objectives: to influence regulators for a better business environment, to promote fairness in customer dealings, help develop people in our sector, and continually improve member services, always underpinned by the values of Trust, Leadership, Collaboration and Respect.

I would like to take this opportunity to recognise the Board and colleagues for their hard work and dedication in helping the FLA meet its core aims this past year and to thank members for their input and continued support. Increasing the breadth of membership will be a continual priority, and with over 39 committees in place focusing on a wide range of topics, the FLA is in a strong position to provide a 360-degree view of the sector, which gives us a strong and credible voice to use during 2023.

**Stephen Haddrill**

Director General of the FLA

30 April 2023





# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ending 31 December 2022.

## PURPOSE

The FLA is a membership organisation representing the interests of its members in the UK. Full membership of the Association is available to organisations which are engaged in the business of providing asset finance, consumer finance and motor finance. Associate membership is open to organisations with interest in the same areas of business or providing professional advice or other services to full members.

**The purpose of the FLA is to help members grow sustainable and trusted finance markets for consumers and businesses.** In fulfilling this purpose, the FLA also seeks to demonstrate the values of Trust, Leadership, Collaboration and Respect in all it does, as it works with and represents the industry to achieve the following objectives:

**To influence government and regulators to achieve a better business environment.**

**To promote fairness in customer dealings.**

**To help members develop people in the industry.**

**To enhance member services.**

**To excel in FLA delivery.**

The FLA celebrated its 30th anniversary in 2022 and looks forward to continuing to fulfil its purpose for the foreseeable future.





## BUSINESS REVIEW

During 2022, significant work was undertaken to deliver FLA objectives. A short summary of this is given below. The financial results for the period are set out in the statement of income and retained earnings on page 24.

### 1. Influence government and regulators to achieve a better business environment

# 100

number of guests who attended FLA's parliamentary reception on Alternative Lending

#### In brief

Despite the challenging political and economic environment, the FLA has made good progress this year in fulfilling its objective to influence government and regulators to achieve a better business environment. Areas for focus and collaboration included reform to the Consumer Credit Act, preparation for the new Consumer Duty, lobbying for a successor to super-deduction, accelerating the adoption of digital ID, advances made in complaint handling, and the launch of a major project – *The Future of Credit*.

#### Consumer Credit Act

A major lobbying success for the FLA over many years was the Treasury's announcement in June to consult on reform of the Consumer Credit Act (CCA). Much work has been done to get to this point, not least the input of associate members, who helped set out the inadequacies of a system that barely works during benign periods and fails customers in times of crisis. This is a long overdue opportunity to streamline and modernise customer information and support, add flexibility to innovate around products and enhance customer protections. The FLA's recommendation is a simplified regime with as many CCA provisions as possible, transferred into Financial Conduct Authority (FCA) rules and the remainder covered by the Financial Services and Markets Act. The Association will continue its work over the coming years to make this recommendation a reality.

#### New Consumer Duty

The FLA has also worked hard to support members as they prepare for the implementation of the FCA's Consumer Duty. The Association successfully lobbied the FCA to apply a longer implementation

period to ensure firms have sufficient time to make the extensive changes required under the new Consumer Duty, and in a series of monthly briefings with members, we explored different aspects of the new Duty in detail. To meet the *Customer Understanding* outcome, firms will have to provide additional information to explain the outdated and opaque prescribed notices required under the CCA, which reinforces yet again the urgent need for reform.

Regular sessions with the FCA and the Financial Ombudsman Service (FOS) have also provided an opportunity to identify where further clarification is needed to limit the potential for future complaints. More than 300 members joined a workshop and conference explaining how the Duty impacts different stages of the credit life cycle, and a new suite of training courses has been launched.

A series of recommendations were put forward to HM Treasury (HMT), the Department for Business, Energy & Industrial Strategy (BEIS) and the British Business Bank (BBB) to ensure that the successor to the recovery loan scheme meets members' needs. The FLA was pleased to see that the latest version of the scheme includes all the Association's major suggestions.

#### Successor to super-deduction

In its latest budget, the Government has continued to reward investment by creating 'full expensing' as a successor to super-deduction, which ended in March 2023. A year before the deadline for the end of the super-deduction, the FLA established a coalition of representative bodies (eight in total) to make the case for a successor to the scheme. The bodies represented a range of sectors impacted by the allowance, including advisers, manufacturers, engineers, and those funding plant and machinery. The coalition offered huge insight into the importance of a tax regime which encouraged capital investment and the inclusion of leasing within the scope of this type of allowance. The Association continued to work with the coalition this year to ensure our positions were aligned when responding to the Government's consultation. Action included hosting well-attended fringe events at the Conservative and Labour Party conferences to maintain political pressure and persuade other bodies, to make the same case, i.e., that the capital allowance regime should not determine the finance chosen by a business. The FLA is now working closely with HM Treasury on how best to include leasing in the full expensing regime.

#### Complaint handling

The past 12 months have seen a more collaborative approach between our industry and the FOS, providing increased opportunity to raise concerns about a lack of alignment in decision-making between FOS adjudication and FCA regulation. The new Consumer Credit Trade



Association Forum has provided an important platform for ensuring that the Wider Implications Framework is considered in future complaint handling and for the industry to provide input as part of this process. This engagement is beginning to yield positive results, with members seeing the emergence of greater consistency in FOS decisions. The FLA has also continued to work with the FOS on complaint prevention and good practice. This has yielded new training courses and benchmarking services, which are mentioned in more detail in Section 4. As the FOS looks to alternative funding models following the cessation of PPI complaints, the FLA will be making recommendations on the future of its funding structure.

## Commission Disclosure

The FLA's Commission Disclosure Forum has continued to facilitate discussion on the wider implications of disclosure across FLA markets in light of recent court cases and the introduction of the new Consumer Duty. Regular discussions with the FCA, HM Treasury and the FOS have focused on the importance of avoiding any retrospective application.

## The Future of Credit

A new project on *The Future of Credit* was launched by the FLA in 2022, focusing on the value of credit to consumers and the wider economy, how access to credit is changing, and how the sector is evolving with new models and products. Phase one of the research collected opinions from 25 FLA stakeholders – including journalists, politicians, regulators, consumer organisations and trade association representatives. They all recognised the critically important role that credit plays in the economy and society, but felt more could be done to make it work better for people. The second phase of research focused on the customer perspective; how they view credit, its value in their everyday lives, how they access it, their preferences, and what they would like to see change. Qualitative research was also undertaken with prime, near-prime and non-prime customer groups to gain a broader insight. The report was published in February 2023 and will help inform discussions with the Government, regulators, and commentators on the future shape of the industry.

## Lobbying

The FLA has undertaken significant work to promote a better understanding of the industry. Every conversation with government ministers, regulators, media or other stakeholders helps to further this – whether it's explaining the size

of members' markets, customers' preference for products, or how those products work. The Association's statistics and research work highlights the contribution members make to the economy, while FLA policy work examines the vast regulatory agenda for 'unintended consequences' for customers who rely on members for their capital investment needs, or to smooth their household budgets.

In March, the Association jointly hosted a parliamentary reception with the All-Party Parliamentary Group (APPG) on Alternative Lending to showcase the diversity of products, customer segments and markets represented by FLA members. John Glen MP, the City Minister at the time, recognised the role that FLA lenders played during the Covid crisis and their ongoing role in supporting economic growth. Events such as this, and the FLA's wider media operation, promotes the industry externally by sharing achievements with a wide audience. At the same time, the uptake of the Association's many in-house training events demonstrates an industry-wide willingness to develop staff and therefore provide better outcomes for customers. These two elements work to produce a virtuous circle, which helps when making a case for reform.

## Digital ID compliance accelerated

The FLA has continued to progress a Digital ID agenda by working with a digital ID provider and several members across all three divisions. Together, they have produced a report looking at accelerating usage and widening its appeal beyond just financial crime, prevention, and Anti-Money Laundering (AML). This report was well received and is being built upon, including a member trial in FCA's innovation sandbox. The FLA also managed to persuade the Joint Money Laundering Steering Group (JMLSG) to update its guidance to include the use of facial recognition technology within AML checks.

## Economy

The UK economy has performed better than expected in recent months and is likely to avoid recession this year. However, challenges remain for households and businesses from the impact of higher inflation, interest rates and taxes, which means the economy is expected to achieve little or no growth in 2023 as a whole. Finance and leasing will be essential to facilitate growth if UK plc is to thrive. To support this, the FLA will continue to pursue an ambitious agenda for reform and clarity in matters of legislation and tax in 2023.



## 2. Promote fairness in customer dealings

---

# 43,000

the number of people  
SAF registered in 2022

---

---

# 300

people who attended the FLA  
Workshop and Conference on  
the new Consumer Duty

---

---

# 83

the number of firms subscribing to the  
FLA Lending Code of Practice in 2022

---



### In brief

The FLA works hard to uphold its commitment to the fair treatment of customers, and over the past year, the Association has strengthened its Lending and Business Codes, offered considerable training and support to prepare members for the new Consumer Duty, and campaigned for better regulation of complaints management companies. The cost-of-living crisis also demanded swift action from the industry, and the FLA helped with toolkits, workshops and opportunities to share best practice to help members better support customers.

### FLA Lending Code and Business Code

2022 marked the 30<sup>th</sup> anniversary of the FLA Lending Code, which has evolved to reflect new approaches to regulation over its lifetime. FLA codes of practice are at the heart of the FLA's commitment to ensure customers are treated fairly; indeed, firms can only join the Association if they commit to the relevant code.

Motor finance members have also agreed a new Lending Code requirement, i.e., that from 1 January 2023, they will only arrange finance through franchised dealers and brokers who have attained the SAF Approved standard or equivalent. Increasing numbers of dealership staff have been taking the SAF expert test for the first time, and the number of SAF users now exceeds 43,000. The FLA will continue to work with independent dealerships, where the same requirement will apply from 1st January 2025.

Governance of the FLA Business Code has been updated during the year with the appointment of a new Chair. Additionally, the Managing Director

of the Forum of Private Business has joined the group as an independent member to bring a micro-business level insight to complaints.

### Consumer Duty

Ensuring fairness in customer dealings is a core aim of the FLA, so moving forward, working with members on implementing the new Consumer Duty will be a main area of work. To meet this challenge, the Lending Code Group has focused on how to capture and share good practice in lending, which will complement the FLA's own programme of work on developing a good practice guide and toolkits for members.

The FLA has also established an industry-wide best practice group to examine how other organisations deal with their codes and standards. The members include the Lending Standards Board, the British Vehicle Rental and Leasing Association (BVRLA), UK Finance, and the National Association of Commercial Finance Brokers (NACFB). At the beginning of the year, the Association produced a good practice guide on conducting broker reviews for asset finance members and followed it up with guidance on fraud prevention.

### Supporting customers through the cost-of-living crisis

The Association hosted two workshops for members on *Navigating the Cost-of-Living Crisis*, bringing together insights from the regulator, debt advice providers, and best practice of those lenders who were already helping customers.



The FLA responded to HM Treasury's consultation on the development of a Statutory Debt Repayment Plan and noted that the proposal's complexity would require significant, expensive and time-consuming systems changes for the industry. The Association has convened a working group, which includes key money advice organisations and other trade associations, to consider more effective and sustainable debt management options.

Given the current economic climate, a solution must be found to the continuing resource challenges faced by the debt advice sector. The FLA recommends a proportionate and transparent funding model for free debt advice that incorporates funding from public sector creditors and rewards good practice.

### **Tailored Support**

The FCA plans to consult with members on the future of the Tailored Support Guidance, which may include proposals to make changes to the handbook. This guidance was introduced during Covid to help firms manage customers in financial difficulty and is still in force. The FLA will work closely with members to respond and shape effective guidance to see if this can be adapted or replaced.

### **Campaign for better regulations of complaints management companies**

The decisions taken by the FOS are critical to all members. This is particularly important in cases with broader implications, where FOS decisions in such cases have the potential to encourage activities by claims management companies (CMCs) on a significant scale. While the FLA welcomes some positive steps that FCA and FOS took in 2022 to ensure greater alignment in their positions, their next steps in 2023 will be very important if CMC activity is to be at a sustainable level in the future. The Association will therefore continue to work closely with members, FOS and FCA on the complaints and claims that continue to be made by CMCs against members.

The FLA also continues to work with the FCA to improve the regulation and behaviours of CMCs. This activity includes the Association's representation on FCA's CMC Regulatory Consultative Group and the intelligence provided to the FCA from member feedback on poor CMC behaviour, which includes generic and CMC-specific feedback. The FLA has also re-engaged with the Solicitors Regulatory Authority (SRA) at the very highest level to lobby for regulatory equivalence across both FCA and SRA-regulated CMC firms.





### 3. Help members to develop people in the industry

---

# 79

**the number of open and specifically tailored courses run for members by the FLA**

---

---

# 900

**people took part in FLA training courses**

---

---

# 950

**people attended online workshops and conferences**

---

---

# 60

**members who enhanced their career last year by completing the Diploma in Asset Finance**

---



#### In brief

The FLA's aim to help members to develop people in our industry has been accelerated this year with the promotion of the *Women in Finance Charter* and the embedding of diversity and inclusion across all touch points with members. The FLA's Diploma in Asset Finance remains popular for industry staff who want to progress. Meanwhile, record numbers of industry staff have taken the 'expert test' on the Specialist Automotive Finance platform, which is in the process of being further updated and developed.

#### Diversity and inclusion

The Diversity & Inclusion (D&I) Plan 2022 included the Association's commitment to reinforce the importance of D&I across all services provided by the FLA. This includes committees, working groups, conferences, training, and events, alongside a pledge to commend the *Women in Finance Charter* to members. The FLA has worked with the Leasing Foundation on a series of events, with presentations on the importance of inclusion in the workplace, using inclusive language, and establishing allyship networks. To tie in with World Mental Health Day, a suite of four sessions explored the positive impact of kindness, mindfulness, gratitude and connection on mental health. All FLA staff have completed Allyship training.

#### Strengthening SAF development

The FLA is to enhance its Specialist Automotive Finance (SAF) platform and will be tendering for a new platform to replace the current one, which has been in place since SAF was launched in 2007. It was initially introduced to help raise the standard of finance information provided in showrooms and online for the benefit of customers, and to date, over 43,000 industry staff have registered to take the SAF expert test – a record. The specification for the tender is being worked up in close liaison with FLA members, dealers and brokers, as well as with professional bodies such as the London Institute of Banking and Finance (LIBF) and the Institute of the Motor Industry (IMI). It will be in place from January of next year, and will allow learners and employers to better tailor learning to their needs and study in a wider variety of ways. Since January 2023, the FLA Lending Code has required FLA members to arrange finance only through franchised dealers and brokers with SAF Approved status or equivalent. The same requirement will apply to non-franchised dealers from January 2025.

#### Industry diploma – qualification of choice

The Diploma in Asset Finance remains the qualification of choice, with an average of 60 people using it to build their careers in the sector each year.





## 4. Enhance member services

### In brief

Member services have continued to evolve in 2022, with over 39 committees now in place, delivering services to members across a wide range of topics. In addition, over 900 people attended the FLA's highly informative workshops and conferences on broker oversight, consumer duty, collections and vulnerability, emerging technologies and digital opportunities. They have also covered environmental, social and governance (ESG), financial crime, operational resilience and net zero.

### Members enjoy the return of social events

The format of meetings has changed this year, with the hybrid option proving popular when distance or travel time would otherwise prove prohibitive. However, the return of in-person networking events has certainly been welcomed, with 1300

guests attending the 2022 Annual Dinner. This was thoroughly enjoyed by all, along with the 30th Anniversary drinks event, which was a great success.

### 30th Anniversary celebration

The FLA celebrated its 30th Anniversary in 2022, with over 100 members joining a celebratory reception at the Gherkin in London – a spectacular setting! This year was also marked by the production of a special member brochure, which captured the milestones and achievements of the past three decades.

### ESG Awards introduced

The FLA's first ESG Awards were introduced in 2022 with winners announced at the 2023 FLA Annual Dinner, shining a beacon on good practice and innovation within member businesses. The awards will become a regular feature in the FLA calendar.

---

# 1300

guests attended the FLA Annual Dinner 2022

---

---

# 30+

the number of years FLA has been serving the finance and leasing sector

---

---

# 6570

vehicles recovered by the member-supported National Vehicle Crime Intelligence Service (since 2008)

---

---

# 70

attended Golf Day at St George's Hill Golf Club

---



## **Training – a valued part of membership**

After a slowdown during the pandemic, the FLA has seen a strong resurgence in training, both in open courses and an increasing number of in-house courses, where curriculums are tailored to the specific needs of members. The FLA's training agenda is constantly updated to match shifting regulatory priorities and member needs, and in 2022, more than 60 open courses were delivered, plus a further 19 bespoke courses. The FLA also ran conferences and workshops on broker oversight, consumer duty, collections and vulnerability, emerging technologies, digital opportunities, ESG, financial crime and operational resilience. These again resonated well with members with more than 900 people attending the highly informative events.

The Association's capability to deliver highly bespoke training was much appreciated during 2022. A number of members took advantage of this to work with the FLA in developing training which met their specific business needs. This was delivered as either a one-off event, repeated as part of a company's development curriculum, or as part of a major change programme, personalised to members' corporate culture, goals, processes and policy.

## **Action on fraud and theft**

In the asset finance division, significant work was undertaken to improve how fraud data is presented and analysed across the industry, including working with credit reference agencies to discuss how best to submit and share data.

More than two-thirds of the crimes referred to the member-backed National Vehicle Crime Intelligence Service (NaVCIS) are resolved, and

the additional focus on intelligence and disruption has led to a demonstrable increase in crime prevention; more than 6,570 vehicles have been recovered since 2008.

The Association's Vehicle Recoveries and Collections Group, established at the start of the pandemic, has continued to develop industry standards by bringing together both agents and finance companies, at a time when regulatory requirements continue to evolve at pace.

## **Net Zero**

The FLA's work in relation to Net Zero continued with a newly formed cross-divisional Green Finance Group. This hosted presentations from guest speakers on issues such as the viability of different fuel types and the impact on members' funding models, market developments and governance. The Association also held two workshops on ESG and Net Zero reporting. Work has also been carried out with Consumer Finance Division members to map the key themes and practical considerations for developing Green Finance / Net Zero initiatives.

## **New benchmarking service**

The FLA continues to develop its benchmarking services in line with member demand. These services allow participants to benchmark themselves against their industry peers. The FLA has launched its 2023 motor finance compensation and benefits survey, which was well received last year. The Association also plans to extend existing motor finance services to include new peer groups, including a specialist (non-prime) motor finance group.



## 5. Excel in FLA delivery

---

# 261

**Full and Associate members of the FLA**

---

---

# £300k+

**the operating surplus for 2022**

---

### In brief

To sustain the FLA's long-term success, action to maintain financial health and sustainability is essential. This will be achieved by addressing both revenue and cost opportunities. Revenues can be improved through the careful continuing development of services and extending membership. Any membership expansion must not be at the expense of quality, so as not to undermine the FLA's relevance to stakeholders.

### Cost efficiencies and digitalisation

Several cost initiatives are being reviewed to increase efficiency and reduce the costs of many services procured by the FLA. At the same time, the Association needs to continue to modernise working practices and invest in technology that can help the FLA to deliver more with less, fully utilising the capabilities of recent investment in new CRM systems and cloud-based computing.

### New office for FLA

The FLA's new office in the City of London will also provide a greater opportunity to engage with members and provide a 'touchdown' space for those not based in London. This supplies members with improved facilities in a convenient location.

### Member recruitment drive

A member recruitment drive is planned for 2023, to increase the breadth of representation within our industry and allied services. The FLA has also continued to review the breadth of services it provides on issues that matter to members.





## STRATEGY

The FLA undertook a review of various aspects of the business during 2022. Looking forward, the Association plans to maintain the objectives below and will implement further initiatives to reinforce the delivery of these and to increase the FLA's relevance, including:

**Delivering strong communication and representation on key priorities to increase relevance and visibility on the issues that matter.**

**Enhancing FLA codes and standards to ensure fair customer outcomes.**

**Developing compelling thought leadership to help build a better business environment.**

**Increasing focus on training to further enhance professionalism in the industry.**

**Continuing to provide more digital member services.**

**Enhancing data and research services.**

## MAJOR RISKS

The directors review the risk register on a quarterly basis to ensure it includes the right risks and appropriate mitigation. The most significant risks facing the Association include the following:

**Reduction in membership due to industry consolidation or members resigning their membership for various reasons.**

**A significant issue that damages the reputation of members and the Association.**

**An IT or data security issue, whilst currently unlikely, has a severe impact on the trust and reputation of the Association.**

**The ongoing economic and environmental risks created by the uncertainty associated with the Covid-19 pandemic.**

All of these risks have mitigation plans in place. Beyond this, there are a series of less critical risks that are reviewed and managed on a regular basis to keep them within the risk appetite set by the directors.



## GOING CONCERN

The financial statements have been prepared on a going-concern basis. As of 31 December 2022, the FLA had a cash balance of £4,751,431 (2021: £4,393,953) which will support the Association's ability to continue as a going concern over at least the next 15 months. The directors' policy is to maintain at least a minimum reserve equivalent to the cost of winding up the organisation. That is currently estimated at £1,871k. This would leave a residual surplus of £900k in reserves and cash after settling all outstanding liabilities.

The directors of the FLA have given much time and thought to ensure that the Association remains on a stable financial footing, carefully managing and reviewing membership, the services it provides and the resources it employs. The Audit and Risk Committee has reviewed the ongoing impact on the cash reserves of several scenarios, including reduced membership and limited commercial income over the next 12 months. The Audit and Risk Committee and directors have concluded that it has sufficient cash balances at this time to manage through the uncertain economic outlook for the next 12 months and continue to provide a fully functioning service to the membership. The Association has sufficient reserves to trade beyond a twelve-month horizon from the date of these accounts. This view is further substantiated below.

The main financial risk to the FLA is posed from a loss of membership and a reduction in commercial services revenues. A brief assessment of the key risks and consideration of the potential impact of these on the FLA as a going concern is given below:

- The FLA's policy work during 2022 has been intense, and the engagement with members is unprecedented, with members appreciating the work of a strong trade association in these difficult times. As a lobbying organisation, the work of the policy team has been continual. The Association has continued communicating with the FCA, FOS, HM Treasury, and the Cabinet Office. With a continued focus on issues such as the CCA reform and Commission Disclosure, the industry will continue to need a trade body to represent its position on these and other matters.
- The recruitment of new members and resignation of membership remains at a similar level to recent years, despite the additional economic hardships that many members are experiencing. Member surveys continue to show support for the work that the FLA is doing, and we believe there will continue to be high member retention.
- Following Covid, during 2022, the FLA were able to return to deliver a full programme of member events and training in a combination of physical, virtual and hybrid formats. Over 1300 attended the annual dinner in 2022, where safety precautions were put in place to

protect members against Covid, and no known infections took place at the event. 2023 has started well with over 1400 attendees attending the Annual Dinner, a testament to high levels of support from members, which also provides financial support to the Association.

- The FLA's training services had a strong start to 2023, with many courses sold out, and a strong pipeline of bookings for upcoming in-house and open training courses. A new training manager has been appointed to further strengthen online, on-demand training for more mainstream topics.
- Changes to the way the Association works following Covid-19 continue. An office move has already taken place this year due to reduced need for space, which has resulted in cost savings to be reinvested into additional policy and resources for member services.

The cash balance as of 31 December 2022 of £4,751,431 is before the collection of the invoiced subscriptions for 2023. With this cash balance, assuming no further collections, the business would have sufficient cash to run for at least 11 months with some reasonable actions to control cash. Since cash collections for membership subscriptions invoiced on 1 Jan 2023 have commenced, the cash balance has grown to £6,516,615 as of 28 February 2023, with further collections continuing. As a result, the directors believe that the Association is well placed to continue as a going concern for the foreseeable future.

## CONTROLS

The Association works closely with its members and monitors any changes in its membership routinely. The Association enters into discussions with and responds to the needs of all 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 the invoice date.

## BOARD AND GOVERNANCE

The FLA has an effective governance process including a Board, Nominations Committee, Audit and Risk Committee and Remuneration Committee, which act as laid out below.

### Nominations Committee

The Nominations Committee advises the Board on appointments to the Board and to Board Sub-Committees, considering the balance of skills, tenure and D&I required to support effective governance of the FLA.



During the year, the Committee has overseen the appointment of three new members to the Board during 2022, with a further two joining in 2023. Four Board members departed during this period.

also departed at this time, and Luke Enock was appointed as Chair. The Committee now consists of Luke Enock (Chair), James McGee, Paul Went and Mike Randall.

## Audit and Risk Committee

The Audit and Risk Committee's role is to monitor the integrity of the Financial Statements, the FLA's control and risk management systems, and the FLA's relationship with its Auditor. At the beginning of the year, the Audit and Risk Committee consisted of three non-executive directors: S. Bolton, K Dost and P Went. S Bolton resigned from the Audit and Risk Committee in June 2022. K Dost was Chair of the Committee until his term on the Board ended in December 2022. Carol Roberts

## Remuneration Committee

The Remuneration Committee's role is to set and monitor the remuneration policy for all employees. The Committee comprises a minimum of three non-executive directors. At a Board meeting held on 29 March 2022, Steve Bolton resigned, and Ian Isaac was appointed Chair. The remaining Remuneration Committee consisted of Debbie Burton and James McGee.

## DIRECTORS AND DIRECTORS' INTERESTS

The members of the Board who served from 1 January 2022 to 31 December 2022 were as follows:

Name	Company	FLA Role
<b>R McNeil</b>	Close Brothers Limited	Chair Chair Nominations Committee
<b>R Jones</b>	MotoNovo Finance Limited	
<b>S Haddrill</b>	Finance & Leasing Association	Director General
<b>S Bolton</b>	PEAC Business Finance Limited	Chair Audit and Risk Committee and Chair Remuneration Committee. (Resigned 22 June 2022)
<b>D Carson</b>	Creation Financial Services Limited	
<b>D Burton</b>	Central Trust Ltd	Remuneration Committee and Nominations Committee.
<b>K Dost</b>	DND Finance	Audit and Risk Committee (Resigned 31 December 2022)
<b>L Enock</b>	Oakbrook Finance Limited	(Appointed to Board 27 May 2022). Chair Audit and Risk Committee (Appointed 31 December 2022)
<b>A Hughes</b>	CA Auto Finance UK Ltd	Chair Motor Finance Division
<b>I Isaac</b>	Lombard North Central plc	Chair Remuneration Committee
<b>P Jennings</b>	JCB Finance Ltd	Nominations Committee (Resigned April 2022)
<b>J McGee</b>	NIIB Group Ltd	Remuneration Committee and Audit and Risk Committee
<b>J Phillipou</b>	Paragon Bank PLC	Chair Asset Finance Division; Nominations Committee.
<b>M Randall</b>	Simply Asset Finance Operations Limited	Audit and Risk Committee (Appointed to Board 1 January 2022)
<b>C Roberts</b>	The Leasing Foundation	Audit and Risk Committee; Nominations Committee. (Resigned 31 December 2022)
<b>T Smith</b>	Black Horse Ltd	
<b>P Went</b>	Shawbrook Bank Limited	Chair Consumer Finance Division Audit and Risk Committee
<b>G Wheeler</b>	Advantage Finance Ltd	(Appointed to Board 19 May 2022)
<b>T Brace</b>	Volvo Car Financial Services UK Ltd	(Appointed to Board 27 May 2022)
<b>B Turner</b>	Finance & Leasing Association	Company Secretary



The following directors have been appointed since 31 December 2022:

Name	Company	FLA Role
<b>H Lumb</b>	Shire Leasing PLC	1 January 2023

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 auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

## **POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Association made no political or charitable contributions during the year (2021: £nil)

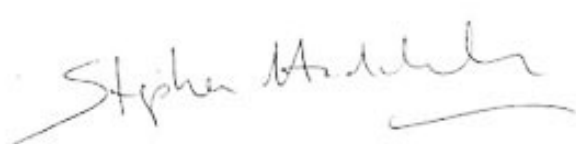
## **LIABILITY INSURANCE**

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

## **AUDITOR**

Pursuant to Section 487 of the Companies Act 2006, the auditor Moore Kingston Smith LLP is deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board



**Stephen Hadrill**

Director

11 Ironmonger Lane

London

EC2V 8EY

Date: 30 April 2023



# STATEMENT OF THE 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 judgements 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.

- Assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern.
- Use the going concern basis of accounting unless they either intend to liquidate the company or cease operations or have no realistic alternative but to do so.

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 the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and have the 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.



# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FINANCE & LEASING ASSOCIATION

## Opinion

We have audited the financial statements of Finance & Leasing Association for the year ended 31 December 2022, which comprise the Statement of Income and Retained Earnings, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard Applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- Have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- The directors' report has been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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; or
- The directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient

and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.



The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the company and considered that the most significant are the Companies Act 2006, UK financial reporting standards as issued by the Financial Reporting Council, and UK taxation legislation.
- We obtained an understanding of how the company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- We discussed among the audit engagement team regarding how and where fraud might occur in the financial statements and any potential indication of fraud. We remained alert to any indication of fraud or non-compliance with laws and regulations throughout the audit.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Use of our report

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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

### Janice Riches (Senior Statutory Auditor)

for and on behalf of  
Moore Kingston Smith LLP, Statutory Auditor  
6th Floor  
9 Appold Street  
London  
EC2A 2AP

Date: 9 May 2023



# FINANCIAL STATEMENTS

## STATEMENT OF INCOME AND RETAINED EARNINGS

For the year ended 31 December 2022

	Note	2022 £	2021 £
<b>Turnover</b>			
Members' subscriptions	3	3,610,135	3,327,525
Other trading income		2,775,650	2,451,696
<b>Total Turnover</b>		6,385,785	5,779,221
Administrative expenses		(6,034,425)	(5,725,379)
<b>Operating profit</b>		351,360	53,842
Interest receivable	7	41,861	615
<b>Profit on ordinary activities before taxation</b>	4	393,221	54,457
Tax charge on profit on ordinary activities	8	(80,303)	(17,857)
<b>Retained profit for the financial year</b>		312,918	36,600
Retained Profit at the beginning of the year		2,462,887	2,426,287
Retained Profit at the end of the year		2,775,805	2,462,887

The Association made no acquisitions and all activities are continuing.

The Association has no comprehensive income other than that in the statement of income and retained earnings.

The notes on pages 27 to 35 form part of these financial statements.

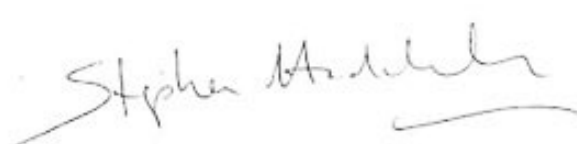


# BALANCE SHEET

For the year ended 31 December 2022

	Note	2022		2021	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	9		7,457		20,471
<b>Current assets</b>					
Debtors	10	419,980		366,887	
Cash and Cash Equivalents	12	4,751,431		4,393,953	
		5,171,411		4,760,840	
<b>Creditors:</b> amounts falling due within one year	13	(2,377,992)		(2,289,802)	
<b>Net current assets</b>			2,793,419		2,471,038
<b>Total assets less current liabilities</b>			2,800,876		2,491,509
<b>Long Term Deferred Income:</b> amounts falling due in more than one year	14		-		(3,551)
<b>Net Assets less Deferred Income</b>			2,800,876		2,487,958
<b>Capital and reserves</b>					
Amounts contributed by members	15		25,071		25,071
Reserve fund			2,775,805		2,462,887
<b>Member Funds</b>			2,800,876		2,487,958

These financial statements were approved by the Board of Directors on 30 April 2023 and were signed on its behalf by:



S Haddrill

Director

The notes on pages 27 to 35 form part of these financial statements.

Company Registered Number 2651248



# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Note	2022 £	2021 £
<b>Cash flows from operating activities</b>			
Profit for the year		312,918	36,600
<i>Adjustments for:</i>			
Depreciation, amortisation and impairment		13,014	22,616
Interest receivable and similar income		(41,861)	(615)
Taxation		80,303	17,857
		364,374	76,458
(Increase)/decrease in debtors		(17,462)	88,916
Increase/(decrease) in creditors		22,650	(488,831)
		5,188	(399,915)
Cash generated by/(used in) Operations		369,562	(323,457)
Taxation Paid		(16,596)	(5,415)
Net cash generated by/ (used in) operating activities		352,966	(328,872)
<b>Cash flows from investing activities</b>			
Interest Received		4,512	615
Payments to buy Fixed Assets		-	(7,847)
<b>Net cash inflow/(outflow) from investing activities</b>		4,512	(7,232)
Net increase/(decrease) in cash and cash equivalents		357,478	(336,104)
<b>Opening Cash and Cash equivalents as at 1 January</b>		4,393,953	4,730,057
<b>Closing Cash and Cash equivalents as at 31 December</b>	12	4,751,431	4,393,953

The notes on pages 27 to 35 form part of these financial statements.



# NOTES

(forming part of the financial statements)

## 1 Status of the Association

The Finance & Leasing Association is a private company limited by guarantee and with no issued share capital. The Association is incorporated and domiciled in the UK. Its registered office is 11 Ironmonger Lane, London EC2V 8EY. In the event of a winding up, each full member is liable to contribute an amount not exceeding £1 towards its debts and liabilities. At 31 December 2022, there were 164 (2021: 161) full members, 92 (2021:79) associate members and 5 MARS members (2021:4).

## 2 Accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and the Republic of Ireland ("FRS 102").

### Basis of Preparation and change in accounting policy

The financial statements of the Association were approved for distribution by the Board of Directors on 30 April 2023. The financial statements have been prepared in accordance with applicable accounting standards. The financial statements are prepared in sterling which is the functional currency of the Association, and rounded to the nearest pound. The financial statements have been prepared on the historical cost basis.

### Revenue

Revenue is recognised to the extent that the Association obtains the right to consideration in exchange for its performance. In the case of subscriptions, this is at either the date of membership renewal or admission. The revenue is then accounted for on an accruals basis over the course of the relevant accounting year. For conferences, dinners and training courses, revenue is recognised at the date of the event or the training course. At this point, the associated costs can be measured reliably and are also recognised.

### Change in accounting policy

Unless otherwise stated, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### Going concern

The financial statements have been prepared on a going concern basis. The major threat to

the Association is the loss of members. In the first two months of membership renewal, which is the usual time for members to resign, resignations have been at the predicted level. Additional new members have been recruited in that time. As at 31 December 2022, the Association had cash balances of £4,751,431 (2021: £4,393,953) which will support the Association's ability to continue as a going concern over the next 12 months. The Association has also implemented a 2.0% increase in fees to members for 2023. This follows a 4.9% increase in 2022 which followed a period of 8 years during which no fee increases were implemented. At the date of this report, there has been no significant increase in the resignation rate of members. The cash balance as at 28 February 2023 was £6,516,615, which gives sufficient resources to continue operating for at least 12 months without any further cash collections. Termination of some high-value contracts would extend this runway further.

Whilst the impact of Coronavirus is waning, the directors of the FLA have given much time and thought to managing the lagging effect that Covid-19 has on the membership of the FLA, the services it provides and the resources it employs. The FLA has continued to adapt throughout 2022 to the change in working practices and the needs of the members and reviewed its membership on a regular basis. It has also reviewed the cash balances and the likely impact of various scenarios, preferring to take a pessimistic view of the future. Nevertheless, the Audit and Risk Committee and directors have concluded that it has cash balances at this time to manage throughout 2023 and continue to provide a fully functioning service to the membership. The Association has sufficient cash to trade beyond a twelve-month horizon from the date of these accounts.

During this time, the policy work of the FLA has continued to be intense, with significant developments in relation to CCA reform, the cost-of-living crisis and ongoing developments in relation to Commission Disclosure. Through a combination of virtual and face-to-face meetings with members, engagement with members remains strong, with members appreciating the work of a strong trade association in these difficult times.

As a lobbying organisation, the work of the policy teams has been continual. The Association is in constant communication with the FCA, HM Treasury and the Cabinet Office. The Director General has been in contact with the Cabinet Office, the Treasury, the FCA, the Bank of England and other regulatory bodies, members and their customers. Where appropriate, the FLA is working with other stakeholder groups to enable the Government to act swiftly to allow members to deliver the services to customers that they need.



The directors acknowledge that the tail of the Covid-19 crisis, alongside the cost-of-living crisis and impending recession, will still have an impact on some members for some time. Members may find themselves in financial difficulty in the months to come, and we understand that this could have a financial impact on the Association. This has been accounted for in long term financial forecasts, and performance against expectations will continue to be monitored to allow ongoing management of this risk.

The directors have also considered the impact of these factors and the potential consequential restrictions on the additional services for members. Following the reduction in services during 2021, a number of changes were implemented successfully in 2022, with a return to strong delivery from FLA commercial services. Plans for 2023 are cautiously optimistic as we look to focus on growth in several areas where members have indicated a clear need for support:

- The Annual Dinner ran successfully in February 2022 with c.1300 attendees. Covid precautions were implemented to ensure the safety of all attendees, with no known transmissions taking place at the event. Over 1400 attendees were present in 2023; however, given the cost inflation, this might not generate as strong a surplus as in 2022.
- Remote-based training has been delivered successfully, with many members preferring the remote service as a result of the reduction in travel time and cost. With the implementation of the New Consumer Duty, a number of regulatory focused training courses have been run, with a strong training pipeline developing for 2023. We have now recruited new staff to increase the focus on the FLA's training offering, including online, on-demand training resources.
- A mix of face-to-face, hybrid and remote conferences were run during 2022. The implementation of shorter format workshops with a focused topic for education, training and discussion with participants has performed exceptionally well, making a significant contribution to FLA revenues for 2022. The Association will continue to deliver these in 2023.
- The FLA has launched a first series of industry awards at the Annual Dinner in 2023 and will also run an inaugural cross-industry FLA conference later in the year. Both promise to add value to the FLA in the longer term.
- The FLA is also considering whether there are any options to both expand the breadth of the membership base to include some non-traditional lenders, as well as reviewing the membership proposition for all members.

With the successful implementation of digital purchase approval systems, every area and activity of the Association's spend is being constantly reviewed and cost savings

implemented. Significant savings have been generated through the FLA exercising a break in its lease and moving to smaller premises in February 2023. These savings will be reinvested into resources to expand the Association's service development.

Quarterly Board meetings take place as usual, and during 2022 all Board meetings were effectively held on a hybrid basis, reverting to an increasing number of people in person. At both Board and Audit and Risk Committee meetings, a full set of management accounts, a projected cash flow statement, and areas for cost savings are presented. Financial forecasts err on the side of caution, and the forecast cash flow for 2023/24 has been based on the assumption that the FLA will return to more normal levels of revenue during 2023 from training courses and conferences.

In summary, at the end of 2022, cash balances were significantly up compared to 2021, both as a result of the increased profitability of the year and due to the positive cash impact resulting from timing of cash flows in relation to the 2023 Annual Dinner. With payment of 2023 membership fees now underway the directors believe that the Association is well placed to continue as a going concern for the foreseeable future.

## **Project accounting**

The Association undertakes various projects; NaVCIS and SAF. These operate under terms whereby income received must only be used for specific project expenditure or returned to the contributor. Income received but not spent by the balance sheet date is carried forward as a creditor at the year end. Income and expenditure relating to each project is recognised in the income statement in the year to which it relates.

## **Basic financial instruments**

### **Trade and other debtors /creditors**

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs.

### **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash balances, call deposits and term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Association's cash management are included as a component of cash for the purpose only of the cash flow statement.

## **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation. All leases have been reviewed to ensure that if the Association assumes



substantially all the risks and rewards of ownership, the lease is classified as a finance lease. All other leases are classified as operating leases. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of fixed assets. The Association assesses at each reporting date whether tangible fixed assets have been impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of fixed asset. The estimated useful lives are as follows:

- Leasehold improvements – the shorter of the lease period or its useful economic life.
- Office equipment – three to five years.

Depreciation methods, useful lives, and residual values are reviewed if there is an indication of a significant change since the last reporting date in the pattern by which the Association expects to consume an asset's future economic benefit.

### Employee benefits

A defined contribution pension plan is offered to all employees. A defined contribution plan is a post-employment benefit plan under which the Association pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

## 3 Turnover

Turnover is recognised net of trade discounts, VAT and similar taxes and derives from the Association's ordinary activities.

	2022 £	2021 £
Member Subscriptions	3,610,135	3,327,525
Events and Training	1,194,273	582,517
NaVCIS	1,481,332	1,766,736
SAF	100,045	102,443
	<u>6,385,785</u>	<u>5,779,221</u>

All turnover arises from activities based in the UK.

## Expenses

### Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease, unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

### Interest receivable and payable

Interest income and interest payable are recognised in the profit and loss as they accrue, using the effective interest method.

## Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years. Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted, at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.



## 4 Expenses and auditor's remuneration

Turnover is recognised net of trade discounts, VAT and similar taxes and derives from the Association's ordinary activities.

	2022 £	2021 £
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Auditor's remuneration:		
Audit	27,000	24,000
Amounts receivable by the auditors and their associates in respect of:		
Other services relating to taxation	5,900	3,700
Depreciation and other amounts written off tangible fixed assets:	13,014	22,616
Owned		
Rentals payable under operating leases:		
Hire of office equipment	5,051	5,395
Hire of land and buildings	244,543	243,483
NaVCIS and SAF projects	1,581,377	1,869,179
<b>after crediting:</b>		
NaVCIS and SAF projects	1,581,377	1,869,179

## 5 Remuneration of directors

	2022 £	2021 £
Directors' emoluments	326,832	282,363
Company contributions to money purchase pension schemes	-	-
	<u>326,832</u>	<u>282,363</u>

The aggregate of emoluments of the highest paid director was £326,832 (2021: £282,363) and company pension contributions of NIL (2021: nil). The emoluments and pension arrangements were determined by the Remuneration Committee of the Board.

## 6 Staff numbers and costs

The average number of persons employed by the Association (including directors) during the year was as follows:

	2022	2021
Average number of employees during the year	27	27

The aggregate payroll costs of these persons were as follows:

	2022 £	2021 £
Wages and salaries	2,258,153	2,035,970
Social security costs	301,746	249,256
Other pension costs (see note 19)	207,265	197,224
Rentals payable under operating leases:	<u>2,767,164</u>	<u>2,482,450</u>



## 7 Interest receivable

	2022 £	2021 £
Bank interest receivable	41,861	615
	41,861	615

Rising interest rates have allowed the investment into a number of lower risk fixed term treasury bonds. The interest income attributable to these instruments is £37,349 (2021: nil).

## 8 Taxation

Total tax expense recognised in the profit and loss account

	2022 £	2021 £
<i>Current tax</i>		
Current tax on income for the period:	78,172	16,549
Adjustments in respect of prior periods	49	-
Total current tax	78,221	16,549
<i>Deferred tax (see note 12)</i>		
Deferred tax debit for the period	2,082	1,308
Total tax	80,303	17,857
Reconciliation of effective tax rate		
	2022 £	2021 £
Profit for the year	312,918	36,600
Total tax expense	80,303	17,857
Profit excluding taxation	393,221	54,457
UK Corporation Tax at a rate of 19% (2021: 19%)	74,712	10,347
Depreciation	2,473	4,297
Capital allowances	(391)	(1,968)
Expenses not deductible for tax purposes	1,378	3,873
Adjustments in respect of prior periods	49	-
Movements in deferred tax	2,082	1,308
<b>Total tax expense included in profit or loss</b>	<b>80,303</b>	<b>17,857</b>



## 9 Tangible fixed assets

	Leasehold Improvements £	Office Equipment £	Total £
<b>Cost</b>			
At beginning of year	257,157	333,732	590,889
Additions	-	-	-
<b>At end of year</b>	<b>257,157</b>	<b>333,732</b>	<b>590,889</b>
<b>Depreciation</b>			
At beginning of year	257,157	313,261	570,418
Charge for the year	-	13,014	13,014
<b>At end of year</b>	<b>257,157</b>	<b>326,275</b>	<b>583,432</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>-</b>	<b>7,457</b>	<b>7,457</b>
At 31 December 2021	-	20,471	20,471

## 10 Debtors: amounts falling due within one year

All amounts included in debtors are due in less than one year. All amounts are valued at transaction cost. Project debtors relate to amounts receivable in respect of either the NaVCIS project, or the SAF project. These are two specific projects managed by the Finance & Leasing Association and which operate for the benefit of members.

	Note	2022 £	2021 £
Trade Debtors		119,086	56,808
Project Debtors		1,200	29,160
VAT Debtor		74,196	87,554
Prepayments and Accrued Income		225,498	191,648
Deferred Tax	11	-	1,717
		<b>419,980</b>	<b>366,887</b>



## 11 Deferred tax (liability)/asset

	2022 £	2021 £
At 1 January 2022	1,717	3,025
(Debit)/credit to profit and loss account	(2,082)	(1,308)
At 31 December 2022	(365)	1,717
The elements of deferred taxation are as follows:		
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	(365)	1,717
At 31 December 2022	(365)	1,717

## 12 Cash at bank and in hand

	2022 £	2021 £
Cash in hand	441	420
Cash at bank	4,750,990	4,393,533
	4,751,431	4,393,953



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

	Note	2022 £	2021 £
<b>Current Liabilities:</b>			
Trade creditors		554,443	54,453
Project creditors		606,782	1,335,163
Corporation tax creditor		78,173	16,549
Other taxes and social security		243,854	111,012
Deferred Tax	11	365	-
Other creditors		205,904	170,742
Accruals		209,866	242,934
Deferred income		478,605	358,949
		<b>2,377,992</b>	<b>2,289,802</b>
<b>Non-Current Liabilities:</b>			
Long term creditor	14	-	3,551
		<b>2,377,992</b>	<b>2,293,353</b>

Project creditors relate to revenue collected from members during 2022 and deferred to cover costs which will be incurred in the project year 2022-2023 in respect of either the NaVCIS project or the SAF project. These are two specific projects within the Finance & Leasing Association and operate for the benefit of members. The movement in these figures relates to a change in the cash cycle for these projects with the NaVCIS service year now commencing on 1 April as opposed to the historical annual service commencing on 1 October. SAF invoicing has also moved to align to the FLA's financial year. The movement in deferred income relates primarily to the income associated with the Annual Dinner that was invoiced in 2022 for the dinner in 2023. Income was also received for some training courses taking place in early 2023 but invoiced in 2022.

### 14 Creditors: deferred income

The landlord renewed the FLA lease on Imperial House in 2018. The lease is for 10 years with a break at the end of the fifth year. The lease renewal included a reduced-cost period for the first six months. This reduction is being amortised over the first five years of the lease up to the lease break. The FLA has issued notice on the property and terminated its lease on 18 February 2023.

	2022 £	2021 £
Total reduced rent	30,551	57,551
Amortised during the year	(27,000)	(27,000)
Accrual as at the year end	3,551	30,551
<b>Amount to be amortised within one year</b>	<b>3,551</b>	<b>27,000</b>
<b>Amount to be amortised beyond one year</b>	<b>-</b>	<b>3,551</b>



## 15 Capital and reserves

The capital and reserves of the Association are non-distributable funds. The amounts contributed by members represent funds provided by the members for the purposes of initial capital requirements. These amounts are not repayable. The reserves of the Association represent accumulated profits which may be used to further the objectives of the Association.

	2022 £	2021 £
Members' capital contribution	25,071	25,071

## 16 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2022		2021	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	35,627	4,782	270,912	9,971
2-5 years	-	-	35,627	4,649
	35,627	4,782	306,539	14,620

## 17 Commitments

At 31 December 2022, the Association had not contracted for any future capital expenditure (2021: £nil).

## 18 Related party transactions

### Key management personnel

The Director General and the Senior Management Team who have authority and responsibility for planning, directing and controlling the activities of the Association, are considered to be key management personnel. Total remuneration, including Employer's Social Security costs and defined contribution pension payments, in respect of these employees amounts to £1,560,992 (2021: £1,391,232).

## 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 £207,265 (2021: £197,224)





For more information contact:

**Finance & Leasing Association**

3rd Floor

11 Ironmonger Lane

London

EC2V 8EY

**Tel: 020 7836 6511**

**Email:** [info@fla.org.uk](mailto:info@fla.org.uk)

**Web:** [fla.org.uk](http://fla.org.uk)