



ANNUAL REPORT

For the financial year ended 2010



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Foreword

by Kate Sharp



The UK emerged out of recession at the beginning of 2010 and gross domestic product (GDP) ended the year with an annual growth of 1.5%. Inflation reached 4% with forecasts predicting further increases. Surveys of Lenders reported improvements to the availability of credit to the corporate sector as a whole yet the British Bankers' Association reported a decline of 4.3% for term lending and 10.2% for overdrafts while loans in sterling to UK businesses fell by 3.9% over the year.

Against this mixed but generally gloomy backdrop the asset based finance sector saw a return to growth in most of the key areas including client turnover, which grew by 11% to a record £212.3bn. Is this an industry to be proud of? I think so.

While the members have been busy growing the book the Association has been busy working for the members. 2010 was the year of opportunity in terms of communicating the benefits and availability of invoice finance and ABL. Lobbying and legal activity was plentiful with a host of Government consultation responses prepared and submitted. Our response to the consultation 'Financing a Private Sector Recovery' gave us an opportunity to stress the importance of invoice finance for SMEs and also provided a platform to raise issues around ban on assignment and retention of title.

The media landscape in 2010 remained a challenging one, with banks and financiers often vilified for not lending enough. The year saw several pieces of positive coverage in the Financial Times, the Times, the Mail on Sunday and the Daily Telegraph; with strong presence in the regional papers as well, such as the Birmingham Post. PR activity ranged from Budget responses, to research, to radio interviews as the Association worked to maintain awareness of the industry amongst its key audiences. At the end of the year changes to the statistics (to include availability and total facilities agreed) also added insight into clients' borrowing habits and provided statistical evidence that challenged the headlines about lack of finance for SMEs.

2010 proved to be a strong year for education with an increase in student numbers of 15% on 2009. While attendance on Day Courses was down the 35% increase in Distance Learning studies more than compensated. The success of the new Diploma programme is a credit to the many contributors; to Alex Waterman, Head of ABFA Education, for orchestrating and driving the development, and to those dedicated students that are ready to embark on this serious piece of learning.

Despite the external pressures of providing finance in such a difficult economic environment ABFA Members and Affiliates showed their continued support for the Association by turning up in large numbers for the key internal networking events, the Annual Dinner and the Annual Conference at the Hilton Park Lane. The various ABFA Forums

and sub-Committees also received solid support and the chairmen of these groups deserve acknowledgement for their effort in forming agendas, delivering information and driving debate.

The ABFA continued to build relationships with other key associations and groups including the FLA, ICM, CBI, FPB, and the Doing Business Together Group. Project activity included the final stages of the Supply Chain Finance project in conjunction with ACT and the ABFA RPO/MSP working group joined forces with APSCo to engage and educate stakeholders on issues arising in the managed services supply of temporary labour.

Sadly 2010 was the year that our longstanding relationship with LTSBCF as landlord to the Association came to an end as the ABFA moved to new premises on Richmond Hill. Grateful thanks are due to LTSBCF and the team in Boston House for the many years of accommodation, in all senses of the word. We also said a sad goodbye to Ronnie King after seven years of service on the ABFA Executive and as the longstanding chairman of the Irish members group.

The legacy of the economy in 2009 may have been a downward line on the industry statistics graphs but the payback in 2010 has been a continued growth in awareness, amongst Government and senior people within the banks, of the importance of Invoice Finance and Asset Based Lending in managing risk and stretching capital.

The return to a record high in client turnover was achieved partly as a result of the modest growth in the economy but also the continued switch away from traditional bank lending. The industry has been handed an opportunity and is working to put itself at the front of SME lending although at this moment the growth is receiving significant assistance from a supplier driven push. The next challenge will be to change the push to a prospect driven pull before the many lending lessons of 2009 are forgotten. The ABFA is ready to play its role in this important challenge.

A handwritten signature in blue ink, appearing to read 'Kate Sharp', located at the bottom right of the page.

A Chairman's Perspective

By Steve Box

This time last year, we were looking at an industry still struggling from the impacts of a deep global recession. Sales turnover for our clients was down year on year, bad debts and insolvencies were still an issue, and late payment still endemic. But there were positive signs, with growth returning each quarter. We were just coming out of the bottom of the cycle, beginning to stabilise and recover.



It is a testament to the quality, resilience and experience of the people in our industry that we have seen out this most painful period. We still have a difficult road ahead with much uncertainty on the way - depending on which economist you speak to at the moment you hear that interest rates are going up next month, next quarter, or next year. You are told that growth is flat, edging into positive figures, or still cause for concern.

The economy however continues its slow, erratic upward move from recession. Industry remains upbeat about the outlook, with recent PMI results for manufacturing, services and construction all in the high 50s. There was a strong surge in services activity in March which has led to expectations of Q1 growth of around 0.7%. Construction also moved up sharply, and although manufacturing dipped just a little, the March result was still the fourth highest in the last 15 years. So there is some light at the end of the tunnel.

With inflation eating into real earnings, however, there is still a serious question mark over the prospects for the household sector, which accounts for almost two thirds of all spending. On top of this, the instability in the Middle East and the resurgence of Euroland's debt problems are clouding the global outlook.

Despite this, in our industry we have seen a return to funding levels of almost £15bn by the end of 2010 and an 11% increase in sales year on year to £212bn. Even for an industry that often weathers recession relatively well, these are impressive figures. Critically, when we hear that exports are a major factor in economic recovery for the UK, our members have seen a 35% growth in export invoice discounting turnover to over £12bn. We are as an industry well positioned to support a return to growth.

So it is with some optimism that I look ahead. There will always be opportunities for our industry to grow and to support growth. The real challenge for us lies ahead, in the way that the world is changing and the shifts in the global economy will alter the balance of power in favour of what we currently term "emerging" economies. These economies are predicted to grow fivefold by 2050, and by then the suppliers and buyers to UK and Ireland's businesses will be a completely different mix. Alongside this, the step change brought about by technology, in social media and networks, in on-line and mobile channels, challenges us all to re-examine our proposition in the marketplace if we are to keep pace with our customer needs.

The benefits that asset based finance solutions offer are now more widely recognised than ever, at decision making level in more boardrooms and cabinet offices across the UK and Ireland. The profile of our industry is growing and much of this is due to the hard work put in by the ABFA team in lobbying and networking effectively both to champion our cause, educate and inform, and dispel negative perceptions. Kate Sharp, and the team have, as always, given tremendous support and the work they put in behind the scenes is hugely valuable to us all. The breadth and quality of the ABFA's contribution far outweighs the resources at their command and I am extremely grateful for all the assistance they have provided both to me personally and to the Executive and Members collectively.

In summary, in this past year I hope we have as an industry turned a corner and are starting to look ahead to the future once more, but having learnt the painful lessons from the economic downturn that will strengthen us for the changes yet to come. Last year at the ABFA conference we explored the theme of "Leadership Today for Tomorrow's World" and there is no doubt that many of the challenges we spoke about then are still before us. However I am confident that with the quality of the Executive team and the support of the ABFA, led next year by John Bevan, we will be well placed to succeed. It has been a great privilege to hold the Chair in the past year and I wish John and all of us the very best as we move forward once more.

ABFA Members



The ABFA represents a variety of independent and bank-owned Members, all united by the fact that they provide Factoring, Invoice Discounting and/or Asset Based Lending products and services. The ABFA provides these organisations with a collective voice, in addition to providing them with educational support, networking opportunities and industry information and representation.

There are various levels of ABFA membership, see below for more information.

The Membership structure is divided into three main membership options - Full Member, Group Member and Associate Member. Each option enables organisations to take advantage of the ABFA offering in a different way, depending on their requirements.

The ABFA Full Membership is open to UK and Irish companies only. Up to three Full Members from a group may take this Membership Option and the option includes:

- The right to vote at an Annual Meeting
- The right to seek election onto the Executive Committee
- The right to participate in functions, conferences, day courses and educational programmes at an ABFA Members' rate
- The right to use the ABFA logo on marketing material

A Full Member must comply with all the conditions laid out in the Articles of Association of the ABFA. In addition a Full Member will be required to monitor and vouch for the compliance of all associated Group Members.

The world-wide Group Membership is designed for any company belonging to a group where there is at least one Full ABFA Member. This Membership Option includes:

- The right to participate in functions, conferences, day courses and educational programmes at an ABFA Members' rate
- The right to attend, but not vote at an Annual Meeting
- The right to use the ABFA logo on marketing material

The world-wide Associate Membership is for any company where there is no Full ABFA Member. This Membership Option includes ONLY:

- The right to participate in functions, conferences, day courses and educational programmes at an ABFA Members' rate
- This will be open to companies worldwide (except where Full or Group Membership options apply) who wish to take advantage of a limited membership for a fixed fee.

An Associate Member must be engaged in the provision of asset based finance. They will not be required to comply with the conditions laid out in the Articles of Association, however the ABFA Executive reserves the right to refuse or withdraw Associate Membership without reference, and at any time, should they see fit. This form of membership does not allow for the use of the ABFA logo on corporate marketing material. For a full list of ABFA Full Members in 2010, please see the list below -

FULL MEMBERS 2010

Aldermore Invoice Finance	GE Commercial Finance
AIB Commercial Services	Hitachi Capital (UK)
Anglo Irish Bank Corporation	HSBC Invoice Finance (UK)
Ashley Commercial Finance	IGF Invoice Finance
Bank of America Business Capital	Leumi ABL
Bank of Ireland Commercial Finance NI	Lloyds TSB Commercial Finance
Bank of Ireland Finance	Northern Bank
Barclays Asset & Sales Finance	Positive Cashflow Financed
Bibby Financial Services	PNC Business Credit
Burdale Financial	RBS Invoice Finance
Centric Commercial Finance	Regency Factors
Close Invoice Finance	Santander Invoice Finance
Clydesdale & Yorkshire Bank Invoice Finance	Skipton Business Finance
Coface Receivables Finance	SME Invoice Finance
Crédit Agricole Commercial Finance	State Securities
Davenham Trade Finance	Ultimate Finance Group
Fortis Commercial Finance	Venture Finance

ABFA Affiliates

In addition to the Members Programme, the ABFA also provides a programme for companies who work with our Member, or are interested in working more closely with the industry. This programme is called the ABFA Affiliate Programme.

The Affiliate Programme is extremely important to the ABFA and in addition to providing much needed sponsorship income, the Affiliates provide the Association with educational support, their expertise, time and even, on occasion, their premises. The programme enables them to raise their profile to the Membership and helps the ABFA to deliver Member services.

Opportunities to get involved with the ABFA Affiliate Programme are always available. The Programme runs from January to December, however organisations may join at any time throughout the year. In addition, once a company has joined the programme, additional opportunities are available to them, such as advertising on the ABFA Home page, or sponsoring an event, to further raise their profile to the Membership.

We would like to take this opportunity to thank all of our Affiliates for their contribution to the ABFA during 2010 and the on-going commitment they have shown on behalf of the best interests of the industry.

We could not do it without you!

AFFILIATES 2010

BDO LLP	Cashflow UK	FA Simms & Partners	Matheson Ormsby Prentice	Squire, Sanders and Dempsey LLP
Bermans Solicitors	Chantrey Vellacott DFK	Francis Wilks & Jones LLP	Mazars LLP	Surecomp
DLA Piper UK LLP	Chartis Insurance UK	FRP Advisory	MCR	The P & A Partnership
Hammonds LLP	Codix	Future Route	Swiss Post Solutions	Touch Financial Support
KPMG LLP	Connell Associates	GoIndustry	Moorfields Corporate Recovery LLP	UHY Hacker Young LLP
Smith & Williamson	CMS Cameron McKenna LLP	Grant Thornton UK LLP	Morton Fraser LLP	Vision Critical
RSM Tenon Recovery	Dancerace	Haliwells LLP	Nabarro	William Fry Solicitors
Addleshaw Goddard	Deloitte LLP	Hilco	Paul Davidson Taylor	William Stucky & Associates
Atlantic Risk Management Services	De Vere & Co	Hilton-Baird Financial Solutions	PKF (UK) LLP	Wragge & Co LLP
Baker Tilly	DMH Stallard LLP	HPD Software	PricewaterhouseCoopers	Zolfo Cooper
Begbies Traynor	DWF	Jones Day	Rhyme Systems (a 3i Infotech company)	
Blake Laphorn Solicitors	Edward Symmons LLP	Kennedys	Risk Factor Solutions	
Bridge Business Recovery LLP	Ernst & Young	King Sturge LLP	Shoosmiths	
	Eversheds			

Industry Statistics 2010

Clients' sales volumes (£m)	2006	2007	2008	2009	2010	% change
Domestic Factoring	19,083	20,311	19,378	16,394	17,933	9%
Domestic Invoice Discounting	145,064	159,526	175,019	163,407	179,901	10%
Export Factoring & ID	8,030	10,766	11,484	10,631	13,595	28%
Import Factoring	1,148	1,274	1,780	878	830	-6%
Total Client Sales	173,325	191,877	207,661	191,310	212,259	11%
Total Advances	13,650	15,783	16,978	13,904	14,968	8%

CLIENT NUMBERS AT THE YEAR END

Number of clients	2006	2007	2008	2009	2010	% change by product
Domestic Factoring	22,295	22,982	21,945	20,056	18,894	-6%
Domestic Factoring plus ABL	30	-	-	-	-	-
Domestic Invoice Discounting	17,822	18,845	19,500	18,173	17,466	-4%
Domestic Invoice Discounting plus ABL	454	504	-	-	-	-
Export and Mixed Export plus Domestic	3,562	3,712	3,722	3,902	4,131	6%
Export and Mixed Export plus Domestic plus ABL	24	-	-	-	-	-
Import Factoring	2,623	2,614	2,027	806	571	-29%
Stock Finance, plus ABL	72	79	828	653	449	-31%
Total client numbers	46,915	48,782	48,022	43,590	41,511	-5%

CLIENT NUMBERS BY INDUSTRY SECTOR

At the end of 2010	Manufacturing	Distribution	Services	Transport	Retail	Construction	Other	Total
Number of clients	12,897	9,684	12,675	2,831	153	1,344	1,927	41,511

Executive Members and Governors 2010

ABFA EXECUTIVE

ABFA Chairman

Steve Box - HSBC
Invoice Finance

ABFA Vice Chairman

John Bevan - Barclays
Asset & Sales Finance

ABFA Executive

Paul Beveridge -
KBC Business Capital

Tim Corbett - Fortis
Commercial Finance

Maurice Craft -
Regency Factors

Peter Ewen - Venture Finance

Simon Featherstone - Lloyds
TSB Commercial Finance

John Jenkins - GE
Commercial Finance

Ronnie King - AIB
Commercial Services

Jeff Longhurst - Crédit Agricole
Commercial Finance

Martin Morrin - RBS
Invoice Finance

John Onslow - Centric
Commercial Finance

David Robertson - Bibby
Financial Services

David Thomson -
Close Invoice Finance

Previous Chairman

Maurice Craft -
Regency Factors

Tim Corbett - Fortis
Commercial Finance

Ted Ettershank

ABFA EDUCATION SUB-COMMITEE

Chairman

Kate Sharp - Chief
Executive Officer

ABFA Governors

Del Bruce - Venture Finance

Andrew Charnley - Barclays
Asset & Sales Finance

Tim Corbett - Fortis
Commercial Finance

Maurice Craft -
Regency Factors

Catherine Gladwell - HSBC
Invoice Finance

Andrew Hill - Skipton
Business Finance

Graeme Nielson - RBS
Invoice Finance

Mike Watson - Arbuthnot
Commercial Finance

Edward Wilde -
Honorary Legal Advisor

ABFA Secretariat

Kate Sharp - Chief
Executive Officer

Edward Wilde -
Honorary Legal Advisor

ABFA SUB-COMMITTEE CHAIRMEN

ABL Committee

Paul Beveridge -
KBC Business Capital

John Jenkins - GE
Commercial Finance

Anti-Money Laundering Forum

David French - Barclays
Asset & Sales Finance

Invoice Finance Group

Ed Rimmer - Bibby
Financial Services

Irish Members

Ronnie King - AIB
Commercial Services

Legal and Technical Forum

Alan Benson - RBS
Invoice Finance

Membership Committee

John Jenkins - GE
Commercial Finance

Jeff Longhurst - Crédit Agricole
Commercial Finance

David Robertson - Bibby
Financial Services

Operations Forum

Graham Cox - HSBC
Invoice Finance

ABFA Public Relations By Golley Slater



INTRODUCTION

In 2010 the media's appetite for scare stories was scarcely diminished, with a slew of articles predicting a double dip recession and that the country's enormous debt would drag the UK's economy yet further downwards. However, with the General Election and change of government, there were genuine positive sentiments being echoed throughout the land - something which was reflected in the latter stages of 2010 with the first positive quarterly growth figures. Throughout much of 2010 the banks and lenders in general were often vilified for not lending enough. In this media landscape it was essential that the ABFA communicated the fundamental benefits of asset based finance and that in actual fact, this type of lending was on the rise. The start of the year maintained the excellent levels of trade coverage seen previously with multiple articles in titles such as Business Money, Credit Management, Leasing Life, Business Moneyfacts and The Manufacturer. In addition, the first national item of coverage appeared in March in The Times in a dedicated supplement on Credit Management with an article on the state of the economy and the role of Asset Based Finance.

A further specialist Assesed Based Lending supplement appeared in the Birmingham Post in May with an article from Kate Sharp espousing the advantages of ABL for funding acquisitions through M&A, MBO and MBI deals. This coverage also featured two real life examples from members (Lloyds TSB Commercial Finance and Venture Finance), further supporting the practical benefits of producing deals sheets. Both this and The Times supplements were high profile pieces which showcased the benefits of the products and the resilience of the industry in the face of the generally negative media landscape.

BUDGET RESPONSES

With the change in the government and the multiple budgets coming out of 11 Downing Street, this was very much considered a topic on which the ABFA should be responding to in the media. As such, comments on the first Labour budget in March, the change of Government and the resulting emergency budget were all distributed, resulting in strong on-line coverage on such sites as smebusinessnews.co.uk and financemarkets.co.uk

RESEARCH

The first quarter of 2010 also involved significant planning for the major research project which came out in the summer. The research stemmed from a desire to capitalise on the unique position of the ABFA, namely as the repository of industry knowledge and the only single organisation able to comment on the industry as a whole. The end goal was to produce a body of industry-wide research which could then be tapped into throughout the year for stories; and which was relevant to not only the corporate ABFA, but also the ABL and Invoice Finance Committees with their differing audiences.

The research was timed to take advantage of the General Election and was aimed at gauging both end users and Members on their views on a range on topics, including access to finance, general business confidence and attitudes to the level of business support provided by the outgoing Government. The top political research company YouGov was brought on board and conducted the research in early Q2.

As a result of this research, press releases were distributed on a range of topics throughout the summer, resulting in multiple regional

coverage in all of the main target areas of Newcastle, Manchester, Birmingham, Bristol and London, plus trade coverage in titles such as Machinery Market and commercialfinancetoday.co.uk

RADIO INTERVIEWS

Following on from last year's successful foray onto the radio airwaves, a second day of broadcast interviews was organised, this year featuring Kate Sharp and John Wilde from SME Invoice Finance. The above research was used to create a hook to discuss wider SME access to finance, resulting in 6 live radio interviews and 16 further stations including Star Radio (Cambridge), Wave 102 (Dundee), KLFM (Norfolk) and Colourful Radio (London).

A major bonus to this year's series of broadcasts though was that Sky News Radio also pre-recorded an interview with Kate Sharp which was subsequently distributed on their news network. Sky News Radio is the main supplier of independent radio news in the country, with stations signed up such as Classic FM, Capital, Heart and Xfm. However, while there was no way to effectively monitor all 200 stations which took the news, it was hoped that many of these larger stations did use the interview.

NATIONAL COVERAGE

In the summer a negative piece appeared in the Financial Times criticising invoice finance in general and explicitly complaining about high rates of fraud within the industry. Immediately following publication contact with the journalist ensued to try and correct his viewpoint, plus responses to the article from Kate Sharp, Steve Box (new chairman) and Maurice Craft (previous chairman) were posted up on the FT.com website as a counterpoint.

The second half of 2010 proved successful in securing more items of high profile national coverage, with two strong pieces in the Financial Times on the back of the Q2 and Q3 positive industry growth figures. Further coverage in the Mail on Sunday and in the Daily Telegraph as part of a dedicated supplement on asset finance also appeared.

WIDER TOPICS

Positive press mentions and dedicated by-lined articles (covering a broad selection of topics) from Kate Sharp appeared in a wide range of specialist finance and business titles, regional newspapers, on-line media. These included further supplements in the Birmingham Post, Ask the Experts panels in ACQ magazine, coverage of Steve Box's appointment in Credit Today, Business Money, Leasing Life and the Birmingham Post, plus industry comments in titles ranging from The Lawyer to Finance Director. In addition the Economic Report continued to bolster the ABFA's media presence by providing authoritative, and independent, analysis of the industry's figures and wider economic outlook, generating coverage in the trade media and proving beneficial in educating the media on the ABFA's key messages.

Overall, 2010 proved a highly successful year for the ABFA's media profile, with overall figures registering an increase on last year by generating 133 trade and regional hits, plus a further 34 on-line coverage pieces. Combined with the 6 national articles and 22 radio interviews (plus more likely through Sky News Radio), 2010 was most definitely a strong PR year for the Association. With the slow recovery in the economy and the appetite for more success stories from the media, the ABFA communications proved effective, maintaining the high awareness of the industry amongst its key audiences. A position we will build upon in 2011.

Events Review 2010

After 2009 provided a challenging environment for events in general it was difficult to predict how the ABFA Events Programme for 2010 would unfold. In the end, the usual staple of events was delivered; the Awards Dinner, the Quiz Nights, the Annual Dinner and Annual Conference, all of which proved to be big successes. Annual Dinner numbers were back up to well over 800 people (matching pre-crisis numbers) and holding the Annual Conference in the UK again did not seem to diminish its popularity. Indeed, the conference attendance was equally as healthy in 2010 as it was in 2009, with the introduction of Day Tickets contributing greatly to a wider breath of attendee from each Member company.

A reminder of each event can be found here in more detail; and all photographs of ABFA events can be found at www.abfa.org.uk/members/gallery.asp



1. Maurice Craft gives a speech at the Educational Awards Dinner
2. The Educational Awards Dinner

EDUCATIONAL AWARDS DINNER

The Educational Awards Dinner in 2010 was held at the Royal Garden Hotel in Kensington on Thursday 4th March. 131 people turned up to celebrate and acknowledge the industry's most successful students. The evening was hosted by Martin Bayfield, an ex British Lion and Rugby Union star, with an impressive 31 England and 3 Lions caps to his name. The ABFA always chooses someone for the Awards Dinner host who has achieved great success in their field and can speak about inspiring greatness in themselves and in others; and Martin was

no exception. As well as hosting the awards ceremony, in his after-dinner speech Martin spoke about determination and the importance of working in a team to achieve success. Congratulations to all of the nominees and winners of the Educational Awards for 2009. A summary of winners is below.

Top Foundation Student Award 2009 - Sarah Nunn from Lloyds TSB Commercial Services Sponsored by Baker Tilly

Top Certificate Student Award 2009 - Rachael King from RBS Invoice Finance Sponsored by Bermans

Top Cashflow Finance (Diploma) Student 2009 - David Tilley from Fortis Commercial Finance Sponsored by Zolfo Cooper

Top Measuring Performance (Diploma) 2009 - Fraser Wilson from Lloyds TSB Commercial Finance Sponsored by KPMG

Top Residential Student Award 2009 - Jana Faires from Bibby Financial Services Sponsored by Mazars

Top Diploma Student Award 2009 - Ross Veale from Lloyds TSB Commercial Finance Sponsored by Hammonds

We would also like to take this opportunity to thank all of the Affiliates, who give their time to help make our course programme the best in the industry. Many of those companies have sponsored the awards, but also many thanks to the individuals who help make it all possible.

The Lecture of the Year Award for 2009 was awarded to Nick Hampton from HSBC Invoice Finance and Zoe Cherryman from Mazars LLP also took the honour of Best Newcomer Lecturer for the year. Congratulations to them also and Good Luck to all those currently studying on ABFA Distance Learning courses. Maybe we will see you at the Awards Dinner in 2011.

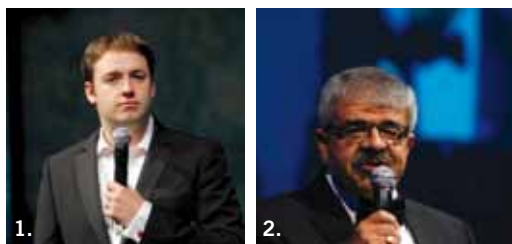
ANNUAL DINNER

After a brief decline in attendance in 2009, 2010 saw the ABFA Annual Dinner back on fine form with over 850 people in attendance. The event was held on Thursday 27th May at the events unofficial home of the Grosvenor House Hotel on Park Lane. The Grosvenor offers one of the bigger ballrooms in London and year after year does not fail to impress. The evening was hosted by Maurice Craft, MD of Regency Factors and the Annual Dinner is always the last event the Chairman hosts during his year in office.

The evening began with a Champagne Reception on the rink balcony of the Great Room. This enabled the 850 guests to view the room, which had a modern black and green theme, with one whole wall covered by the image of a forest that was projected onto it. Throughout the evening the guests enjoyed a classic meal of cured salmon to start, followed by tender loin of spiced venison and finishing with pannacotta with raspberry compote.

The evening's highlight however was undoubtedly the After-Dinner Speaker - Jason Manford. He was received very well, with the whole room enjoying his harmless humour.

The Annual Dinner is the 'Jewel in the Crown' of ABFA events every year, and 2010 was no exception and we look forward to welcoming our Members and Affiliates to the Grosvenor House Hotel again in 2011. On the night over £14,000 was raised via a raffle for the Gene Machine (a leukaemia charity founded by Hilary Craft at Regency Factors). Thank you to everyone who donated and for supporting the ABFA's adopted charity. Since starting to raise funds for the Gene Machine the industry has raised over £42,000 in total. This is a fantastic achievement. The money went towards Professor Yin's Haematology Department at the Manchester Royal Infirmary; helping them buy vital equipment which supports many people's fight against cancer.



1. Jason Manford performs at the Annual Dinner
2. Maurice Craft speaks at the Annual Dinner
3. The Room for the Annual Dinner looks great
4. Artist sketch of Itay Talgram at the Annual Conference
5. Fiona Bruce hosts the Annual Conference
6. Steve Box speaking at the Annual Conference
7. Phillip King (ICM) explains his point of view at the Annual Conference

INDUSTRY QUIZ NIGHTS

2010 annual industry Quiz Night competition was well attended as always. Ten teams from the UK who had fought off strong competition at the regional heats earlier in the year competed for the illustrious title of 'ABFA Quiz Night Champion 2010' in Brighton at the final.

The scores were close with only one point separating the runners up from the winners. In the end, Bibby Financial Services' 'The I Also's' took first place and we hope they will be able to defend their crown in 2011.

One week earlier, on the 18th November seven teams competed in the Irish final in Dublin at the Guinness Storehouse. The winners on that evening were Bank of Ireland's 'Some Team' who were presented with the Irish trophy.

The Quiz Nights are hugely popular events within the social calendar. Some of the comments received from the players include - "Just to say thanks for a brilliant night - we all thoroughly enjoyed ourselves (even if we didn't win!!)" and "A wonderful evening was had by all with good fun, good food and good company, roll on next year!"

Congratulations to the two winning teams and all who took part and a big thank you to QuizQuizQuiz and to all of our sponsors including Hilton-Baird, MCR, GoIndustry Dovebid, Bridge Business Recovery LLP and Matheson Ormsby Prentice.

4TH ABFA ANNUAL CONFERENCE - LEADERSHIP TODAY FOR TOMORROW'S WORLD

With an uncertain economic environment providing the backdrop for the second year in a row, the 2010 ABFA Annual Conference (generously sponsored by Dancerace) was held in the UK in central London. The Hilton, Park Lane, provided the accessible location and Tuesday 7th and Wednesday 8th December saw over 460 people from the industry come together to network and discuss the latest trends in the industry and the economy at large.

The conference, once again, proved to be a fantastic success, with breakouts in the afternoon providing delegates with the opportunity to tailor their conference experience around the topics they were individually most interested in.

The conference began on the evening of Tuesday, 7th December with the Welcome Reception sponsored by Vision Critical. The ballroom overlooked Park Lane and bright lights of London certainly added to the sense of occasion.

The following day provided a packed programme and was hosted by the popular newsreader, Fiona Bruce. One of the most popular sessions of the day was first, with Stephen King, Group Chief Economist at HSBC Bank, giving an overview of what was still in-store for the UK economy moving forward. His presentation was thought provoking and informative for many of the senior managers who attended the event. The next session, Equipping Leaders and Managers for a Different World, was equally interesting and engaging.

This session focussed on the theme of the event and addressed how managers can better equip themselves to motivate and challenge their staff in an increasing difficult environment. The interactive session, by Jonathan Austin of Best Companies, kept everyone's attention and was personalised, which made it even more affective.

The latter half of the morning then went on to look at the issues of Access to Finance for SMEs and the legal landscape in Europe for this industry. Both informative sessions, with the panel session in particular proving that there is still some work to be done educating various audiences about the benefits of Asset Based Finance.

Post-lunch was one of the most popular sessions of the day, with Itay Talgam analysing the qualities that a good conductor shares with a good leader. His presentation tied in with the theme of the day and demonstrated various styles of conducting; enabling people to draw their own conclusions about leadership, adaptability, motivation, individuality and their preferences.

The break-out sessions in 2010 focused on the topics Customer Intelligence, Invoice Finance and Asset Based Lending; all three areas proved popular and well attended, with the variety of presentation topics, demonstrating the breath of the industry.

After a few hours break, the Gala Dinner was well attended and provided a successful conclusion to the day's activities. During dinner guests were delighted with the caricature sketches made by Matt Lawrence, who sketched prominent speakers during the conference. These sketches were then projected onto the big screens during the meal and were a nice surprise for the delegates. The caricature theme was then continued with the entertainment provided by Face of Disco. Faces of Disco became well known after their appearance on Britain's Got Talent. Their dance routine started with photos of famous people and then the images slowly turned into faces of people throughout the industry, finishing with the chairman, Steve Box and Kate Sharp, ABFA CEO. The crowd were delighted with the act and all those who had masks of their faces made asked to keep their own! Later on in the evening the girl trio The Irresistibles, also known from Britain's Got Talent, entertained everyone with their singing act and the evening provided a professional end to another successful ABFA Conference.

There are many thanks to give to all of the Affiliates who demonstrated their support of this event by sponsoring it. The list includes the Platinum Sponsor - Dancerace; Smith & Williamson, Future-Route/Credit Pal, Squires Sanders Hammonds, Vision Critical, Codix, Moorefields Business Recovery, Baker Tilly, RSM Tenon, Edward Symmons, and the P&A Partnership. Many thanks to all of these Affiliates for their support of the event and we look forward to another successful ABFA Annual Conference in 2011.

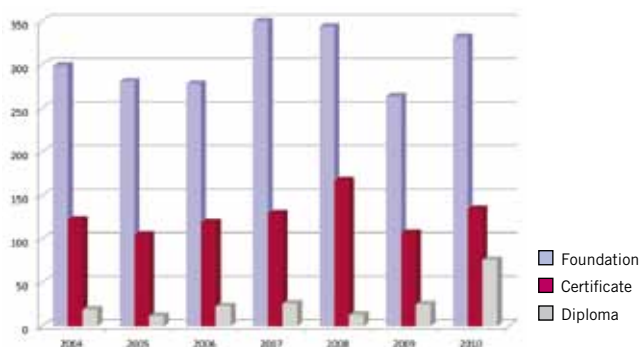
Education Update

The ABFA remains fully committed to the provision of a comprehensive training programme that offers up-to-date courses relevant to the needs of the Asset Based Finance industry. In 2010 there was a 15% increase in the number of delegates on ABFA courses, a fitting testament to the continued investment, by the industry, in the training and development of employees.

DISTANCE LEARNING 2010

2010 was a very busy and successful year for the ABFA's Distance Learning programme with more than 560 courses booked by students looking to learn more about the industry.

The courses run by the ABFA that relate to Distance Learning qualifications continue to be popular development tools for staff within the industry despite the recent economic challenges. The graph below shows the usage of each product over the last 7 years;

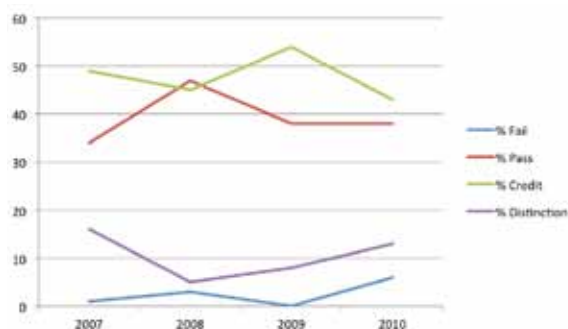


2010 saw an increase in bookings of more than 35% compared to 2009. In addition, two Chinese students commenced the Certificate course in 2010, with a view to using the course as a tool for education in China in the future. Below we have also included charts demonstrating the trends in results for all the Distance Learning courses since 2007 for your reference.

Foundation Course

This qualification continues to offer students the ideal introduction to the industry, as well as encouraging them to find out more about the organisation they work for. The course remains a very popular tool used by ABFA members when teaching new or less experienced staff about the industry. 332 students registered on this course in 2010, an increase of 25% on 2009.

Foundation grades 2007 - 2010



Certificate Course

134 students registered on the Certificate course in 2010, an increase of 25% on 2009. The course consists of a year long study programme, and is supported by two highly successful Day Courses to offer guidance and training. It also encourages students to discuss any topics within the syllabus that need more understanding. These one-day courses, delivered by industry professionals, provide students with support through the course for a better learning experience.

ABFA Diploma

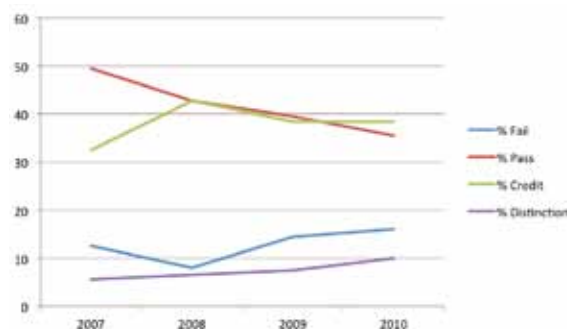
In 2010 the new ABFA Diploma was launched. Five new Diploma courses were released following an extensive development programme, these included subjects based on;

- Operational Aspects of Invoice Finance
- Operational Aspects of Asset Based Lending
- Legal Aspects of Invoice Finance
- Legal Aspects of Asset Based Lending
- Financial Understanding

94 courses were booked during the year, which is a 100% increase on any previous year. 35 students registered for the first Financial Understanding course and more than 40 students registered for the Legal and Operational modules. These figures are testimony to members support in helping staff train to the highest level, and shows great commitment from students willing to give up hours of spare time to gain new knowledge.

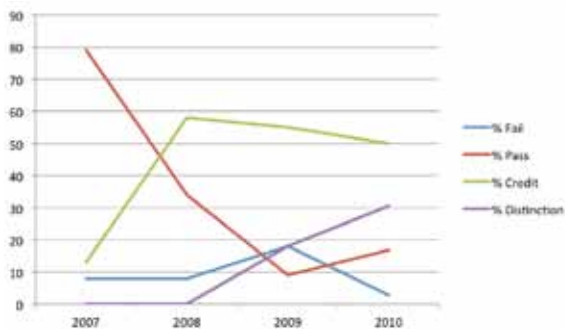
The Residential Week (held every year for a week in the UK was a great success, with fantastic feedback from all students in attendance. 18 students attended the week in 2010, and the students were involved in running a simulated Asset Based Finance business in an extremely competitive and pressurised environment. The week long assessment centre gives students a great chance to learn about themselves in various difficult and demanding situations.

Certificate grades 2007 - 2010

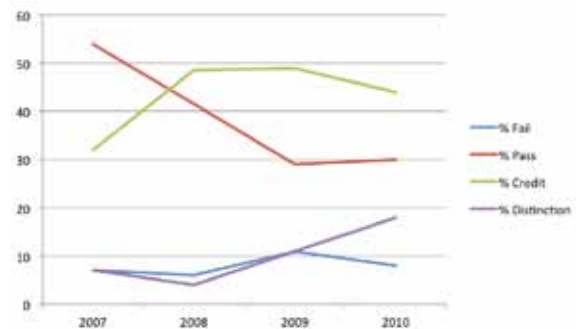




Diploma grades 2007 - 2010



Distance Learning Overall grades 2007 – 2010.



DAY COURSES 2010

In contrast to the increasing numbers of students undertaking Distance Learning attendance at Day Courses reflected the pressure within the working environment as delegate numbers dropped. This resulted in the cancellation of a number of courses.

The courses that were presented in 2010 included two Fraud & Loss courses, Stock as Collateral for Lending, Cashflow and Credit Management, Audit & Survey Training and Financial Analysis. In addition, seven day courses were run, designed specifically to support students studying on the Certificate course and the Diploma course, part of the ABFA's Distance Learning programme. A total of 309 people attended Day Courses in 2010 against 345 in 2009.

E-Learning

The ABFA is also committed to building an on-line suite of courses relevant to the industry that is freely available to the staff of our members. The courses available to all staff within our membership are as follows;

- The Road Transport and Logistics Industry
- The Food Industry
- The Recruitment Industry
- The Printing Industry
- The Clothing Industry
- The Construction Industry

These courses are designed to offer staff the ability to learn not just about the risks involved in advancing funds to these industries, but also by looking into the background to the way these industries work, enhancing the ability of staff to discuss specific industry issues with their prospects or clients. Each course takes around an hour each to complete, and includes an on-line test to ensure the participants understanding of the course.

An additional two courses are being prepared for release in 2011, based around the important topics of fraud and legal aspects affecting our industry.

With an increasing need for member companies to provide their staff with adequate anti-money laundering training, the ABFA also runs an industry specific AML course, and since its launch in August 2009, over 1,000 people have signed up for the course.

In summary, 2010 was a successful year for the ABFA's Education Programme. The significant investment in the ABFA Diploma programme has proved a great success, and it is very encouraging that staff working within the Asset Based Finance industry are now taking their studies one step further into the Diploma programme.

The ABFA would like to thank all of the Affiliates who are involved in the ABFA's educational programme. Without the people who help the ABFA by taking time to present at courses, provide educational information and support, the education programme would not be possible and the generosity of everyone involved is greatly appreciated.

Legal Developments and Government Affairs Activity in 2010 Affecting Members

Edward Wilde - Solicitor of Squire Sanders Hammonds - ABFA's Hon. Legal Adviser and Kate Sharp, CEO of the Asset Based Finance Association

CASE REPORTS

In 2010 there was, as always, a wealth of commercial law case decisions affecting members. Some gave clarity to uncertain areas of the law, others merely reinforced the need to keep day to day procedures under review, others introduced new concepts. The decisions about guarantees and contracts are particularly important.

Fraud

Sometimes clients abuse the trust placed in them by ABFA members. It is common to protect against such a risk by taking a so called "fraud only warranty" from directors of a client. Such directors, when called upon to honour their personal commitments, have often argued that enforcement can only take place if there has been "deceit" i.e. a fraudulent misrepresentation by them, which is always denied. In the case of *Cavell USA Inc v Seaton Insurance*¹ the Court of Appeal held that the words "in case of fraud" were not limited to deceit but extended to the dishonest abuse of a position of trust. This extension of the legal meaning of fraud is welcome.

Delay in Reporting Fraud Losses

It is always difficult to decide when to report your suspicions, of loss through fraud, to a parent or major shareholder. The need to do so in a timely fashion was emphasized in the case of *Dunn v AAH*². The firing of the whole board of directors for taking five months to report a £26 million fraud loss was upheld by the Court of Appeal. It decided that their tardiness in disclosing such a significant loss undermined the essential trust required in an employment relationship.

Settlement of Disputes

Members will be familiar with the need to mark all correspondence offering settlement terms with the words "without prejudice". If there is no concluded settlement, letters without such protection can be used by an opponent in a subsequent trial. But what happens if one party considers there has been a settlement under "without prejudice" correspondence but the other does not, or if they dispute what the settlement means. Can the court become involved? Yes" said the Supreme Court in *Ocean Bulk Shipping and Trading v TMT Asia*³.

Part 36 Offers to Settle

Members involved in heavily contested cases will have come across the part 36 procedure of offers to settle, which can have serious costs consequences for an opponent if ignored. Such offers are not disclosed to judge until after conclusion of the trial.

In *Gibbon v Manchester City Council*⁴, the Court of Appeal issued a reminder that part 36 offers always remain open for acceptance unless expressly withdrawn. Making a subsequent lower offer is not a withdrawal of an earlier higher offer, which can still be accepted. In *C v D*⁵ the High Court decided that an offer stated to be open for acceptance only for 21 days could be accepted outside this period where the party making the offer also failed to serve a proper and separate notice, withdrawing the first offer.

Enforcement of Judgments

Where the only asset available to satisfy your judgment is from the proceeds of a property, it is usual to apply to court for a charging order against the property followed by an order for its sale. In *Packman Lucas v Mentmore Towers Ltd*⁶, the High Court emphasised that the consequent sale should not be treated as a "fire sale". Courts must take a conservative approach, when setting minimum sale prices to be included in the order for sale.

Administration Expenses

The case of *Bloom v Pensions Regulator (re Nortel)*⁷ resulted in a decision that even the judge considered to be detrimental to the rescue culture, at the core of UK insolvency legislation. All because of the unsatisfactory drafting of the Pensions Act 2004, with a result that Parliament had not intended, The High Court decided that financial support directions (FSD's) issued by the Pensions Regulator to companies whilst in administration or liquidation, constitute expenses of the insolvency procedure. The result is that FSD's have super priority over the office holder's own remuneration and the unsecured creditors. They are payable out of the proceeds of floating charge assets. The judge reached this decision reluctantly as the Act is totally silent on the intended effect of FSD's following insolvency. Although an appeal is expected in 2011, the only effective way of remedying this injustice is for Parliament to pass clarifying legislation. As this case is probably headed for the Supreme Court on appeal, the Government are unlikely to make any move until all appeals have been disposed of. Unless this decision is overturned, then a floating charge for financiers in many cases will have uncertain value. Often their effect will be limited to being simply a tool for appointing administrators, with no financial recovery possible. Members will need to ensure that audits and surveys cover this new risk.

¹ [2009] EWCA Civ 1363

³ [2010] UKSC 44

⁵ [2010] EWHC 2940 ch

⁷ [2010] EWHC 3010

² [2010] EWCA Civ 183

⁴ [2010] EWCA Civ 726

⁶ [2010] All E R D 31 QBD



Contract

It is vital that staff engaged in sales activities always provide accurate information to potential clients prior to and during any pre-contract negotiations. This has been reinforced by the decision in *BSkyB v HP Enterprise Services*⁸. One party attempted to exclude liability for anything said during negotiations by a contractual “entire agreement” clause stating that the written terms “supersede any previous discussions, representations or agreements between the parties”. However the court decided that these words failed to protect that party against fraudulent or negligent misrepresentations about matters not included in the written contract. The words did not withdraw all pre-contract discussions, only those about matters included in the written contract. This then left the contract open to attack. The clear message is that members must pay close attention to the wording of such clauses in their master documentation. This should be coupled with a reminder to all new business staff of their obligation at all times to be accurate.

Guarantees

In *McGuinness v Norwich and Peterborough Building Society*⁹ the High Court usefully reminded financiers that including a statement that a guarantor is obliged to discharge his obligations as a “principal obligor” creates a debt in favour of the creditor rather than just a right to claim damages. The actual words used were “Your obligations under this guarantee are those of principal, not just as surety. We will not be obliged to make any demand on, or take any steps against the borrower or any other person before enforcing this guarantee.” In this way the creditor could pursue the debt by way of a statutory demand and insolvency proceedings, without first having to obtain judgment against the guarantor. Members should check the wording of their guarantees in the light of this helpful ruling.

Set-off by Debtors

For over a hundred years precedent cases have developed the principle of equitable set-off, which permits a debtor to set off against his creditor, claims which arise in favour of the debtor, from matters “closely connected” to the creditor’s claim. These are not the same as claims arising from the contract giving rise to the assigned debt such as damaged or wrongly delivered goods, which can always be set off. In the case of *Geldof Metaalkconstructie NV v Simon Carves Ltd*¹⁰ the Court of Appeal created a further limb to this rule. In addition to the close connection element there is now a requirement that it would be unjust to enforce the creditor’s claim without taking into account the set-off. The two elements cannot be divorced from one another. This decision may make equitable set-off claims, by debtors, marginally less successful against members as assignees.

ACT OF PARLIAMENT AND REGULATIONS

There was one major Act passed of direct effect on Members and a number of useful Regulations concerning insolvency and litigation.

Bribery Act 2010

This Act becomes effective from July 2011. It will affect those who manage any business, including invoice financiers and their employees. It creates a newly defined offence of bribery, extends liabilities to businesses and those who run them even if they do not themselves offer a bribe. It covers offences committed anywhere in the world. Lack of knowledge of the Act will not be defence.

However there will be a complete defence to the offence of failing to prevent bribery, if a business can show that it has adequate prevention procedures in place. The establishment by members of compliance procedures is essential. The Ministry of Justice (www.justice.gov.uk) has published its guidance on the six principles around which an institution should set up its procedures, These involve risk assessment, top level commitment, due diligence, clear communication of policies to staff, proportionality of procedures to the risk and monitoring.

The business community will be relieved to hear that the Ministry consider reasonable hospitality is not prohibited by the Act. Despite these clarifications the UK now has one of the strictest anti-corruption regimes in the world.

Practice Direction 31B

The importance for ABFA members of having an efficient management system for their electronic documents has been highlighted by this new mandatory rule of court. This covers the disclosure of documents in contested cases going for trial. Your lawyers will be compelled to make an assessment on how far to extend a “reasonable search” through your electronic database, and to decide which data storage locations are “reasonably accessible” in order to comply with your disclosure obligations. Efficient day to day document management will minimise the costs of any future disclosure exercises.

The Insolvency (Amendment) Rules 2010

These are part of the Government’s modernising exercise of insolvency matters. The main changes of interest to ABFA members are:

An administrator’s pre-appointment fees and charges can be recovered out of the floating charge assets as expenses in the administration.

An administrator’s remuneration can be calculated by a fixed fee or by a percentage of asset values, time costs or any combination thereof.

Electronic communications and remote attendances at creditors’ meetings are now possible.

⁸ [2010] EWHC 8

¹⁰ [2010] EWCA Civ 667

⁹ [2010] EWHC 2989

Government Affairs...continued

WORKING WITH GOVERNMENT

The beginning of 2010 saw a return to modest economic growth in the UK and a general election campaign fought on the speed needed for reduction of the budget deficit, whilst ensuring continued economic growth. The coalition government formed after the election in May 2010 decided that economic growth and a significant reduction in the budget deficit were a priority.

Small Business Economic Forum

With funding for small businesses now high on the political agenda, ABFA has been successful in increasing the profile of the industry. In September 2010 ABFA was invited to sit on the Small Business Economic Forum, chaired by Mark Prisk, MP. The objectives of the Forum are to provide independent views to Ministers; Comment on the high-level strategic direction and key policies of the BIS Enterprise Directorate; Provide a mechanism for bringing together Government, SME representatives and the finance community; Identify and build a shared understanding of advice and information that could usefully be disseminated by Government.

Financing a Private Sector Recovery

A raft of consultations followed the election seeking ways to stimulate growth, with a particular focus on increasing lending to businesses. In September 2010, Vince Cable, the Secretary of State for Business, Innovation and Skills (BIS) launched a consultation entitled 'Financing a Private Sector Recovery', to which ABFA responded and at the same time took the opportunity to emphasise the negative effect that bans on assignment and retention of title have on the availability of funding for business.

Businesslink

ABFA has worked with Businesslink for some time by assisting with the production of business guides on invoice finance and ABL. Their latest project has been the production of an on-line tool which provides businesses with details of options for funding cashflow, including invoice finance. This tool was ready for testing in January 2011.

BIS and Bans on Assignment

Following the above consultation on Financing a Private Sector Recovery, ABFA met David Smy of BIS to request, once again, that Government review the law relating to bans on assignment of debts with a view to their prohibition. An agreement was reached with BIS that, if ABFA had an independent study carried out on this topic, then a minister would review it and if necessary consider changes to UK law. A report has since been commissioned and will be produced by Professor Hugh Beale of Warwick University and Professor Louise Gullifer of Oxford University.

RPOs and MSP

Recent developments around the use of Managed Service Providers (MSP) in the temporary labour market are of concern to our members. The inclusion of 'ban on assignment' and 'pay when paid' clauses prevent members from funding debts in this market. An ABFA working party was formed to look at this growing problem. Joining forces with Association of Professional Staffing Companies, the working party has launched a campaign of education, created a positioning paper, had meetings with various stakeholders and will be working on a charter of good practice for MSPs, and for large businesses using managed services. Various meetings with Ministers are planned to re-enforce this campaign.

CONSULTATIONS

ABFA's CEO, Kate Sharp, and ABFA's Legal Advisor, Edward Wilde, were involved in a number of public consultations during 2010, all of which have continued into 2011. These relate to proposed legal changes. **The principal ones were:**

Rome 1

The EU Commission is considering an amendment to this convention, to determine which law shall apply to questions relating to the effectiveness and priority of assignments as against third parties (i.e. anyone other than the assignor, assignee and the account debtor). For invoice financing situations ABFA supports the use of the law of the client's "habitual residence". This has been communicated to the Ministry of Justice in answer to their consultation paper and to the British Institute of International and Comparative Law which is collating the answers to their questionnaire on behalf of the EU Commission.

Registration of Company Charges

ABFA has responded in detail to the Government's consultation on the streamlining of the registration process. It is expected that draft regulations will be published in 2011, when ABFA will review them and, after discussion with its Legal and Technical Committee, respond as necessary.

Reform of the Law on Secured Transactions

ABFA is represented on a committee chaired by Lord Saville, tasked with presenting proposals to the Government for reform of this area of the law, which was last reviewed by the Law Commission in 2006. Its conclusions have never become law. Members may remember that the Commission proposed that an invoice finance agreement should be registered at Companies House as a security interest in debts. This proposal is still under discussion by Lord Saville's Committee, with input from ABFA.



Vat on Insurance and Financial Services

The EU is preparing a new Directive and Regulations to clarify then VAT treatment of these activities, including specifically factoring and invoice discounting. ABFA, through its membership of the European Federation for the Factoring and Commercial Finance Industry (EUF), has responded to several EU drafts and in early 2011 met the representatives of the Hungarian Presidency to continue the Federation's lobbying for clarification of how the new rules will affect the VAT treatment of members' business activities.

Insolvency

Three separate consultation responses relating to insolvency were submitted on behalf of ABFA members during 2010. In June a paper was prepared in response to the consultation entitled 'Improving the Transparency of, and Confidence in, Pre-packaged Sales in Administration'. In September ABFA responded to a consultation on Proposals for a New Restructuring Moratorium and in November ABFA commented on the proposed New Insolvency Rules. ABFA would like to thank Karl Holmes of PNC Business Credit for his advice and assistance in drafting these submissions.

Scotland

ABFA was involved in two Scottish consultations; firstly there was the Bank of England's Financial Markets Legal Committee's working paper on the implementation of Part II of the Bankruptcy and Diligence etc (Scotland) Act 2007; secondly there was a consultation on Scottish receiverships and floating charge enforcements. ABFA would like to thank Bruce Wood of Morton Fraser for his advice and assistance in drafting ABFA's responses.

EUROPE

EU Federation

As a co-founder of the EUF ABFA plays an active role within the EUF Legal Committee. Apart from the VAT issues mentioned above, in 2010 the Committee has reviewed the Capital Requirements Directive, BASEL developments, the Late Payments Directive, and contract law revisions to Rome 1. EUF's work also included detailed responses to the EU Commission concerning the Late Payments Directive and proposals for responsible mortgage lending. The EUF legal committee kept a watching brief on proposed legislation relating to International Auditing Standards and Data Protection. At the end of 2010 ABFA's Executive decided that the volume of activity in the area of legal and Government affairs required additional input. A decision was made to move away from a consultancy arrangement and in 2011 to recruit a full time employee as ABFA's Head of Government Affairs. This reflects the increased public profile of the Association and the resulting importance attached by Government ministers and officials to our industry.

ABFA Accounts

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2010

	2010 £	2009 £
TURNOVER	1,244,421	893,571
Administrative Expenses	(-1,246,284)	<u>(-828,833)</u>
OPERATING PROFIT / (LOSS)	<u>(-1,863)</u>	64,738
Interest receivable and similar income	7,101	518
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAX	5,238	65,256
Tax on profit on ordinary activities	<u>(-1,018)</u>	<u>(-14,129)</u>
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR	4,220	51,127
RETAINED PROFIT / (LOSS) BROUGHT FORWARD	<u>325,198</u>	<u>274,071</u>
RETAINED PROFIT / (LOSS) CARRIED FORWARD	<u>329,418</u>	<u>325,198</u>

All income and profits are derived from continuing operations. The Company had no recognised gains or losses other than those disclosed in the profit and loss account.

TURNOVER

Turnover excludes Value Added Tax and represents subscriptions and fee income paid by the members of the Association, and income received from sponsors of the Association.

All of the Company's turnover and profit on ordinary activities is derived in the UK from its principal activity.

BALANCE SHEET AS AT 31ST DECEMBER 2010

	2010 £	2009 £
CURRENT ASSETS		
Cash at bank	398,350	407,845
Debtors	49,772	56,144
	448,122	463,989
CREDITORS		
Amounts falling due within one year	<u>(-118,704)</u>	<u>(-138,791)</u>
NET ASSETS	<u>329,418</u>	<u>325,198</u>
RESERVES		
Profit and loss account	<u>329,418</u>	<u>325,198</u>
TOTAL MEMBERS' FUNDS	<u>329,418</u>	<u>325,198</u>

These financial statements were approved by the Executive Committee on 9th June 2011.



ANNUAL REPORT

For the financial year ended 2010



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