ASSET FINANCE
UK 50 2023

Opportunities amidst challenges

FACED WITH ECONOMIC ADVERSITY, RESILIENT AF50 COMPANIES PORTRAY A POSITIVE OUTLOOK FOR THE UK ASSET FINANCE INDUSTRY

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Foreword

Andrew Denton

CEO, Alfa

Welcome to the 8th Asset Finance UK 50, the in-depth report that provides valuable insights on the state of play in the UK asset finance industry and who's who in the world of UK leasing.

This report focuses on results from 2022, a challenging year for the financial services sector with geopolitical conflict, supply chain issues, the cost-of-living crisis, increasing energy costs, and rising inflation and interest rates all combining to increase uncertainties for the asset finance business environment.

But I am delighted to report that these challenges were met by UK asset finance companies and their customers with resilience and determination, resulting in a 5.6% increase in total net investment in leasing to £43.7 billion as seen in this AFUK50 report.

Even when facing economic adversity and challenging climate change initiatives, asset finance remains a valued and vital financing solution for UK SMEs.

With the asset finance industry collaborating to achieve a more sustainable economy, companies are introducing and contributing to ESG initiatives by adapting their business models and processes as we all transition to net zero. The sustainability narrative in the report highlights the capabilities of the asset finance industry in minimising the impact of UK business on the environment.

Finally, I'd like to congratulate all the AFUK50 companies who have maintained their place in the Top 50 through these difficult and uncertain times, including our own clients who have the Alfa Systems platform at the heart of their strategy. I would also like to welcome those new companies joining this year's AFUK50 who signify the future potential of the UK asset finance industry.

I hope you enjoy this year's AFUK50 report.

Introduction

Welcome to the eighth edition of the Asset Finance 50 (AF50) rankings survey published by Asset Finance Policy and Asset Finance Connect.

Since its launch in 2016, the AF50 has established itself as the UK's primary annual survey of business equipment and fleet lessors.

The survey is based on audited and publicly available accounts or other published information to ensure it is compliant with competition law and regulations.

We aim to include the top 50 UK business equipment and fleet lessors based on their accounts that are filed at Companies House at end of May 2023. We estimate that the Asset Finance 50 includes between 90% and 95% of the total business leasing market.

As more information becomes available, we continue to refine the survey. This means that assumptions and estimates made, as set out in the notes, vary slightly from the previous editions. All figures for the previous year in this edition are prepared on the same basis as the latest year results.

In addition to data on leasing volumes, we also include comparisons of lessors' lease contract year-end impairments balance and in-year write-offs. We also show number of staff and average fully-loaded cost per person. This data is all taken from annual accounts.

asset finance connect
Summer Awards

The achievements of those in the AF50 rankings are recognised in the annual Asset Finance Connect awards, with six categories:

Top 5 lenders by outstandings
Winners: Lombard, HSBC, BNP Paribas, Close Brothers, Novuna

Strongest advance
Winners: Haydock, Propel, Simply, United Trust

Strongest growth in one year (percentage)
Winner: Propel

Strongest growth over three years (percentage)
Winner: Simply

Strongest growth in one year (£) (general leasing)
Winner: BNP Paribas

Highest new entry to AF50
Winner: Allica Bank

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AF50 companies entered another challenging year with strong annual growth

This edition of the AF50 covers the industry's activities during the economic and geopolitical crisis, reported now using audited accounting information covering mainly year-ends between December 2021 and December 2022.

Despite the current economic challenges – rising inflation and interest rates, a cost-of-living crisis and the Russia-Ukraine conflict – facing the post-Covid financial landscape, the UK asset finance industry has once again demonstrated remarkable resilience, adapting and supporting businesses throughout these turbulent times.

This is highlighted with a returned increase in the total industry book size to £43.7 billion. On a like-for-like basis (i.e. including the same 50 firms in each year), this represents a rise of 5.6% from £41.4 billion last year.

The 2023 AF50 portrays a positive outlook for the UK asset finance industry with only 14 of the top 50 firms seeing a fall in their book size.

Eighteen firms reported an increase in their book of over 10%, with two firms – United Trust and Propel – reporting extraordinary increases of over 50%.

£43.7 BILLION

total industry **book size**

+5.6%

rise from **£41.4 billion** last year

Only **14/50 top firms** saw a **fall** in **book size**

ARKLE FINANCE

Arkle is a finance and leasing provider which services the broker channel.

We aim to develop partnerships with introducers and deliver terms that provide their clients with the equipment they need to achieve their aspirations. Whether that is financing machinery, vehicles, or softer business equipment, we strive to support businesses in taking the next step in their development, complying with changing regulations or meeting their company objectives.

Based in Wellingborough, Arkle is a wholly owned subsidiary of Weatherbys Bank and the group recently celebrated its 250th anniversary.

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Asset Finance 50

Rank 2023	Rank 2022*	Company	Year to	Net leasing 2020/2021 (£m)	Net leasing 2021/2022 (£m)	% Change	Notes (see page 11)
1	1	Lombard	31/12/21	6,729	6,565	-2%	1
2	2	HSBC	31/12/21	3,132	3,142	0%	
3	3	BNP Paribas	31/12/21	2,374	2,547	7%	2
4	4	Close Brothers	31/07/22	2,370	2,500	5%	3
5	5	Novuna	31/03/22	2,139	2,307	8%	4
6	6	Aldermore	30/06/22	1,600	1,700	6%	
7	7	Lex	31/12/21	1,596	1,580	-1%	5
8	8	DLL	31/12/21	1,438	1,456	1%	6, OL
9	9	PEAC	31/12/21	1,379	1,407	2%	
10	11	Alphabet	31/12/21	1,235	1,380	12%	
11	15	Eversholt	31/12/22	949	1,359	43%	
12	10	LeasePlan	31/12/21	1,346	1,344	0%	
13	12	Siemens	30/09/21	1,131	1,130	0%	
14	14	Societe Generale	31/12/21	1,031	1,114	8%	7
15	16	ALD	31/12/21	948	1,109	17%	
16	13	Angel Trains	31/12/21	1,079	1,021	-5%	
17	18	Investec	31/03/22	870	1,005	16%	
18	17	Arval UK	31/12/21	875	921	5%	4
19	22	PACCAR	31/12/22	579	713	23%	
20	20	Scania	31/12/21	639	681	7%	
21	21	Clydesdale	30/09/22	584	647	11%	
22	24	Paragon Bank	30/09/22	520	598	15%	
23	23	VFS	31/12/21	533	591	11%	OL
24	19	Porterbrook	31/12/21	719	513	-29%	
25	30	Haydock	31/12/21	378	479	27%	
26	25	Walbrook Asset Finance / BLME	31/12/21	455	440	-3%	
27	32	Simply	31/12/22	305	416	36%	
28	31	Kion	31/12/21	341	409	20%	
29	29	NIIB	31/12/21	414	378	-9%	
30	35	Propel	31/12/22	242	378	56%	8
31	28	Deutsche Leasing	30/09/21	418	375	-10%	
32	27	Rock Rail	31/12/21	420	357	-15%	9
33	38	United Trust	31/12/22	207	319	54%	
34	34	Caterpillar	31/12/21	244	304	25%	
35	36	Grenke	31/12/22	236	239	2%	
36	26	Santander	31/12/21	431	237	-45%	
37	37	Metro Bank	31/12/21	231	229	-1%	
38	33	Shawbrook	31/12/22	245	195	-20%	
39	39	Hampshire Trust	31/12/21	174	170	-2%	
40	44	InterBay	31/12/22	116	163	40%	9, OL
41	40	Xerox Finance	01/01/21	160	162	1%	OL
42	New	Allica Bank	31/12/22	28	149	-	9
43	43	Shire Leasing	31/03/22	119	134	13%	5
44	42	Ricoh Capital	31/03/22	142	127	-10%	
45	41	PCF Bank	31/09/22	149	125	-16%	
46	48	Praetura	31/12/21	91	117	28%	9
47	49	Cambridge and Counties Bank	31/12/22	91	111	22%	9
48	45	Arkle Finance	31/12/21	111	110	0%	
49	47	Conister Bank	31/12/22	93	101	9%	
50	46	Renaissance	31/12/21	93	97	5%	

* 2022 rankings are based on latest available accounts and estimates. Due to accounting adjustments made by the companies, these vary from those published in last year's Asset Finance 50 survey.

FIRM SPECIFIC NOTES (SEE ALSO GENERAL NOTES)

1 Includes JCB and other subsidiaries
2 Includes Claas, CNH, and Manitou, excludes Arval
3 We estimate eligible leases account for 80% of reported asset finance loan book
4 Novuna has restated previous year figures following an accounting reclassification
5 We estimate 20% of operating leases are Personal Contract Hire and out of scope, previous year figures restated
6 Includes AGCO
7 Excludes ALD
8 Includes managed portfolios sold to a firm that will not separately report the leases itself.
9 Listed for first time this year, 2021 Rank reflects position if had been included last year
OL: Indicates use of the Operating Lease proxy estimation technique (see 'How we measure firm size')

Resilient AF50 market climbs once again

The total net investment in leasing for the top 50 firms is £43.7 billion. On a like-for-like basis, the size of the top 50 firms included in this year's survey is up 5.6% from £41.4 billion last year. The AF50 total this year is up 6.8% compared to the £40.9 billion figure we reported last year, reflecting changes in the composition of the top 50 firms and accounting adjustments to prior year numbers made by some firms.

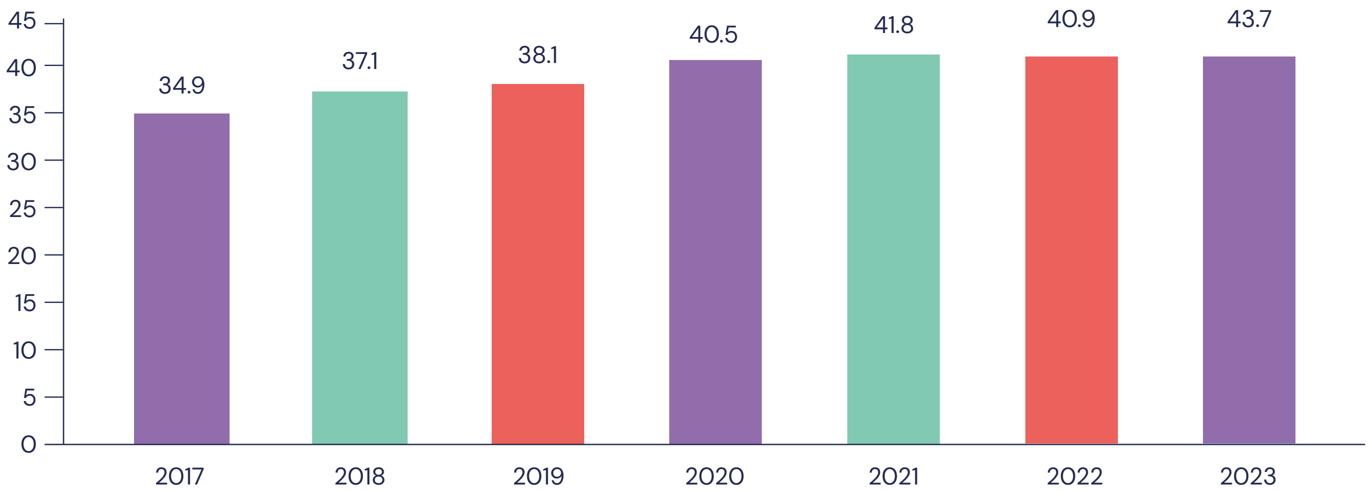
The industry size excludes investment in leasing in the large banks that is outside of specialist leasing divisions or businesses. If the full value of leases in the banking groups is included in the AF50, this adds £6.5 billion to the value of the industry, bringing the total to £50.2 billion. The difference is mainly structured transactions for larger assets including ships and aircraft and possibly some property. See top ten lessors (Banking groups version) section on page 20.

As operating leases are reported in financial statements as undiscounted minimum lease receivables, as interest rates rise this will lead to higher total net investment in leasing for some firms.

The graph shows how the reported AF50 for each of the past six years (some estimates and assumptions have change over the period, hence the trend should be interpreted with caution).

Over this period the asset finance market has grown by a compound annual growth rate of 3.8%. Over the past three years, the compound annual growth rate has been 2.5%.

TOTAL NET INVESTMENT IN LEASES ASSET FINANCE 50 2017-23 EDITIONS £BN



Note: Excludes bank structured transactions

The top ten firms account for 56% of the market, down from 57% last year allowing for accounting adjustments made by companies to their previous year accounts.

The largest firm, Lombard, accounts for 15.0% of the market, down from 16.2% last year.

This year's new entrants to the AF50 are Allica Bank, Cambridge and Counties Bank, InterBay (One Savings Bank), Praetura, and Rock Rail. Except for Allica Bank, these firms are now included due to availability of new accounting information but would also have qualified last year.

Leavers are Allied Irish Banks, Asset Advantage, CHG Meridian, IBM and White Oak. CHG Meridian was added last year but we now understand it acts mainly as an intermediate lessor (see 'How we measure firm size').

INDUSTRY VIEWS

"While the current economic challenges and obstacles can be daunting, they don't necessarily block the road to growth for the asset finance industry. Agile, client-centric approaches and innovative financing solutions such as CBILs, RLS and EFG enable firms to identify niche opportunities and continue supporting businesses throughout these turbulent times."

Daniel Bailey, Managing Director, Arkle Finance

"Each part of the economic cycle requires a different strategic approach. Times are challenging but UK SMEs are resilient and innovative in seeking opportunities to grow. The uncertainty weighs on confidence and investment decisions, but after the last couple of years of turbulence a lot of customers just want to get on with it and will find a way."

Mike Randall, Chief Executive Officer, Simply

"The asset finance industry demonstrated incredible resilience during the COVID-19 pandemic and proved to be flexible and adaptive, providing rapid response and critical support to SMEs. Since the onset of the pandemic, rising energy costs and rapid technological progress have pushed businesses towards conserving capital, while still pushing to invest in assets that will give them a competitive advantage."

Jon Maycock, Commercial Director, Propel Finance

"It is an exciting time to be involved in the asset finance industry and, although there is some uncertainty, the need to drive forward and the optimism for the future should offset the current challenges."

Emily Hammond, Head of Product, Alfa

Top ten lessors

Rank	2020/21	2021/22
1	Lombard	Lombard
2	HSBC	HSBC
3	BNP Paribas	BNP Paribas
4	Close Brothers	Close Brothers
5	Novuna	Novuna
6	PEAC	Aldermore
7	Aldermore	Lex
8	Lex	DLL
9	DLL	PEAC
10	LeasePlan	Alphabet

The analysis of the top 10 is based on latest available accounting data, which includes adjustments to 2020/21 for Novuna and Lex.

INDUSTRY VIEWS

"The FCA's tightening of Consumer Duty regulation provides vital assurance and protection to customers. It sets higher, clearer and more stringent standards for how we interact with and communicate with our customers, both directly and indirectly. It requires us to proactively monitor and demonstrate that we are always putting our customers' interests first in all aspects of our business, which is something that we always look to do"

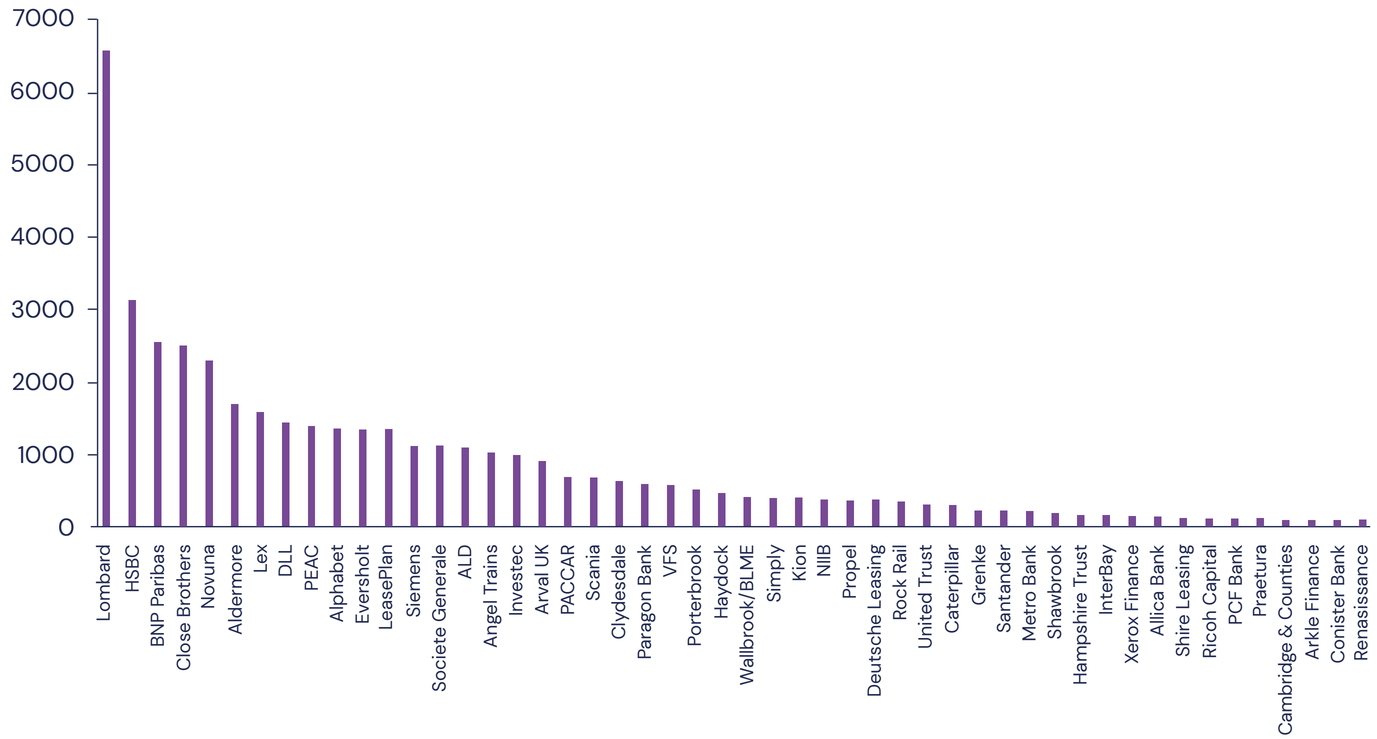
Jon Maycock,
Commercial Director, Propel Finance

"Regulation is rarely negative for a customer-facing industry with a complex chain of interactions. It allows standardised frameworks within which the industry participants can interact and can therefore simplify touchpoints, reduce risk and allow for growth. The main challenge is to ensure that any regulatory change is well defined, takes into account other constraints, is well communicated before the changes are due to be implemented, and is not constantly changing."

Emily Hammond, Head of Product, Alfa

Alfa

Asset Finance 50 by size of book 2021/22 £m



Change in top 50 market share as players move up the table

The shape of the AF50 UK table has changed in 2023 as strong growth among key players has moved them up the table.

The top nine companies remain exactly the same as last year's ranking, with Alphabet moving up one place in the AF50 from 11th to 10th place with 12% growth.

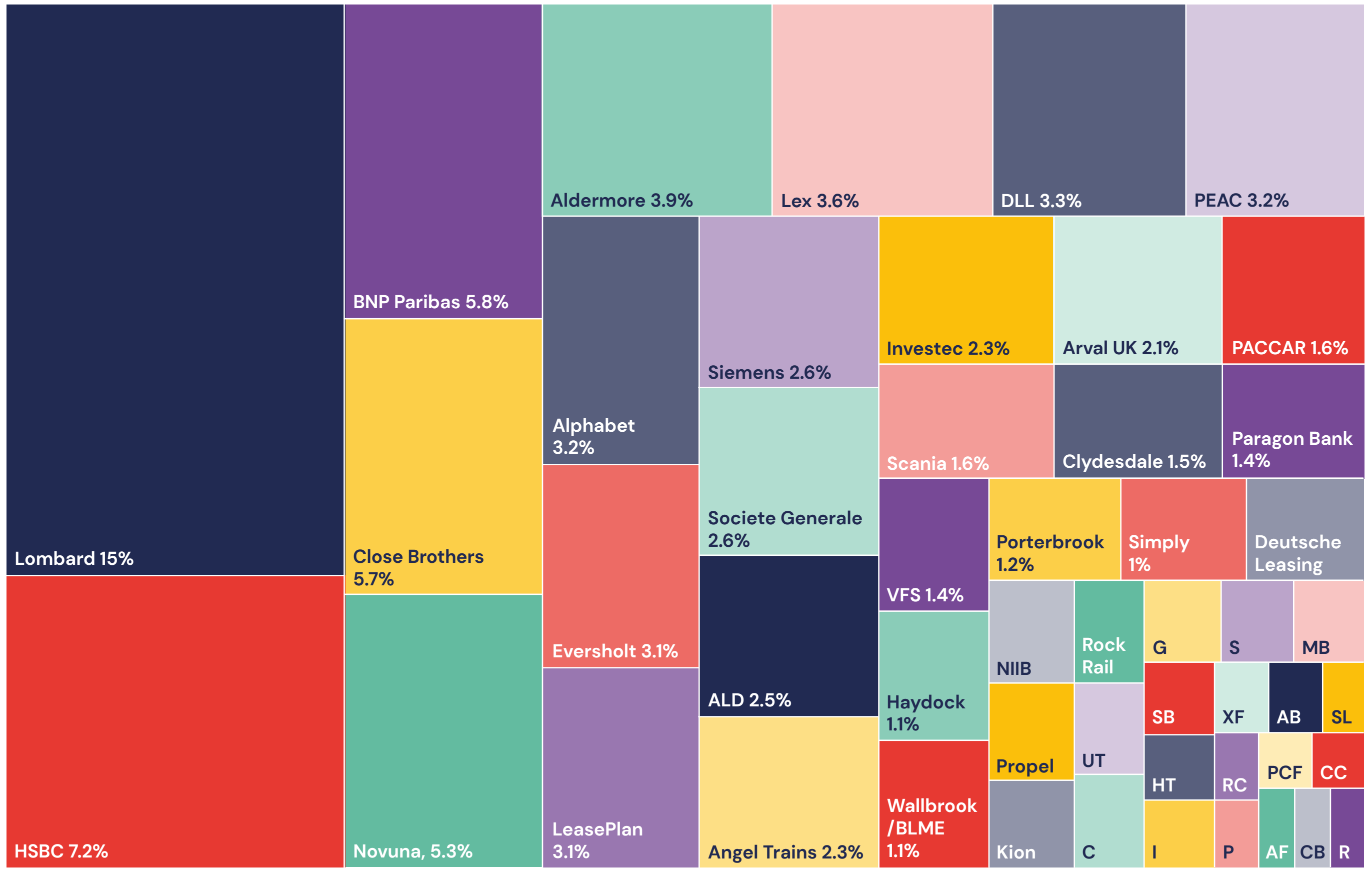
Alphabet joins the top ten for the first time, replacing LeasePlan, reflecting its strategy of increasing longer-term contract business, with a significant increase in minimum operating lease receivables.

The newer entrants to the AF50 – Haydock, Propel, Simply, InterBay, United Trust – are clearly here to stay, reporting continuous double-digit growth.

Haydock continued to move up the AF50 gaining five places from 30th to 25th place with 27% growth in 2022, while Simply, Propel and United Trust also moved up five places reaching 27th, 30th and 33rd place, respectively.

Propel and United Trust reported growth in excess of 50%, with Propel reporting the strongest growth of the year at 56%. There were strong gains for InterBay, which moves up four places to 40th after reporting 40% growth in its book, while Eversholt moved up four places to 11th with 43% growth.

Finally, Allica Bank was the highest new entry in the AF50 in 2022 reaching 42nd place with total net leasing investment of £149 million.



Note 1: *Some names have been shortened for the graph. United Trust (UT); Caterpillar (C), Grenke (G); Santander (S); Metro Bank (MB); Shawbrook (SB); Hampshire Trust (HT); Interbay (I); Xerox Finance (XF); Allica Bank (AB); Shire Leasing (SL); Ricoh Capital (RC); PCF Bank (PCF); Praetura (P); Cambridge & Counties Bank (CC); Arkle Finance (AF); Conister Bank (CB); Renasissance (R).*
Note 2: *Companies without percentages account for less than 1% of total AF50 by net investment in leasing.*

INDUSTRY VIEWS

"Asset finance doesn't sit in a vacuum away from the businesses that need our support. The worries that businesses have should also concern the asset finance industry too. So it shouldn't come as a surprise that rising interest rates and inflation, and crises such as Russia and coronavirus, are events we need to address and react to. This is a good time to talk to businesses about what they need to invest in to improve their businesses, and is equally a time when asset finance should look at how it can adapt and innovate too."

Ian Isaac
Managing Director, Lombard

"In the last few years, the asset finance industry has been remarkably resilient, especially the speed with which asset finance companies were able to adjust their processes to deal with the fallout from the current crisis. This is partly due to investment in flexible software systems that could be quickly adapted to deal with new requirements, such as bulk requests for payment holidays or more flexible residual values. It is also due to the incredible people within this industry and the trust that they had in their ability to pull through."

Emily Hammond
Head of Product, Alfa

Alfa

VIEWPOINT

The true benefits of investing in people

Isara McKnight

Director of Asset Finance
Lombard

A sense of purpose and employee engagement may help businesses meet their short-term challenges.

The cost-of-living crisis is progressing into the second half of 2023, and some businesses may feel under pressure to retain staff. High inflation means that technically many of us are less financially well off than we were 12 months ago. While this will doubtless accelerate the pace at which some staff change employers, others will value the fuller rewards that a career in asset finance brings, thanks to a person-centred approach.

As a sector we need to invest in and support our people. At Lombard, we know that training and nurturing our staff is both a short- and long-term motivator. That is why we have worked at developing a fuller capability programme for all staff. This includes a blend of technical based classroom training, on-the-job training and for those who wish to take this further, professional qualifications. Our leaders are committed to supporting the training and development needs of all staff, which helps people create meaningful personal development plans that ultimately nourish customer discussions, as well as improve career progression.

What might greater employee engagement mean for our industry? It's no secret that Consumer Duty regulation will influence how staff deal with customers, driving, it is hoped, better outcomes for the latter. I'd argue that employee engagement will enhance these outcomes.

According to research cited by the Chartered Institute for Professional Development (https://www.cipd.org/uk/knowledge/factsheets/engagement-factsheet/), the effects of employee engagement can be felt throughout the business, including innovation, efficiency and staff retention. But crucially, this list includes customer satisfaction.

Happier, motivated staff, I believe, are more naturally inclined to put customers first. But whatever the mechanism for this, I can't wait to see how the industry continues to nurture our staff.

INDUSTRY VIEWS

"Purpose certainly is important when attracting talent. The younger generations coming into the industry are likely to be particularly cognisant of the worst effects of climate change, and so it comes as no surprise that many – if not all – asset finance businesses make green commitments. But we also know that broader ESG issues such as inclusivity, diversity, financial wellbeing, the charities you support and how to do business are also in the mix. What that mix is really determines the culture of an organisation, and therefore what gives it unique appeal. We need to listen to our staff and not only will we attract the best talent, but we'll retain it as well."

Ian Isaac, Managing Director, Lombard

"Recruitment, talent attraction and the sheer number of vacancies across the commercial lending sector will inevitably mean that there will need to be a mindset shift to both recruit and retain talent.

For the industry to continue to grow the sector, it is going to have to face up to the prospect of home growing their own talent pool and then training, developing and retaining them. Culture is increasingly becoming the buzz word of this market and there is no doubt that 'a great place to work' offers significant advantages when recruiting."

**Graeme Chisholm,
Director, CBC Resourcing Solutions**

Top ten lessors (Banking groups version)

Our banking groups ranking includes the entire leasing books of the UK banking groups. We also combine BNP Paribas with the Group subsidiary Arval, and Societe Generale with its majority-owned ALD.

At banking group level, total outstandings of the AF50 in 2019/20 were £44.0 billion compared to £46.3 billion the previous year. The key differences between this figure and the lower £40.8 billion for the main Asset Finance 50 table covering bank subsidiaries is the inclusion of structured finance at NatWest and Lloyds, e.g. lease arrangements for aircraft, ships and property.

Our estimate of the Lloyds leasing portfolio has increased since the last edition, reflecting additional information published by the bank on the composition of the leased assets.

If the full value of the banking groups is included in the AF50, this adds £6.5 billion to the value of the industry, bringing the total to £50.1 billion. The difference is likely to be mainly structured transactions for larger assets that may include some property.

TOP 10 LESSORS BY BANKING GROUP

Rank	Name	Year-end	2021/22 £m	Notes
1	National Westminster Bank PLC	31/12/22	8,402	
2	Lloyds	31/12/22	5,996	Includes Lex, excludes Black Horse
3	BNP Paribas	31/12/21	3,468	Includes Arval
4	HSBC	31/12/22	3,423	
5	Close Brothers	31/07/22	2,500	
6	Novuna	31/03/22	2,307	
7	Societe Generale	31/12/21	2,223	Includes ALD
8	Aldermore	30/06/22	1,700	
9	DLL	31/12/21	1,456	
10	PEAC	31/12/21	1,407	

Top five fleet lessors

Alphabet moved up two places in the top five fleet lessors.

We estimate that 20% of Lex's operating leases are Personal Contract Hire contracts and therefore have excluded these. We assume the other firms' PCH solutions represent only a small proportion of their businesses.

Total lease outstanding for these five firms were up 12% at £6.3 billion.

TOP FIVE FLEET LESSORS

Rank	2020/21	2021/22
1	Lex	Lex
2	LeasePlan	Alphabet
3	Alphabet	LeasePlan
4	ALD	ALD
5	Arval UK	Arval UK

Manufacturer lessors

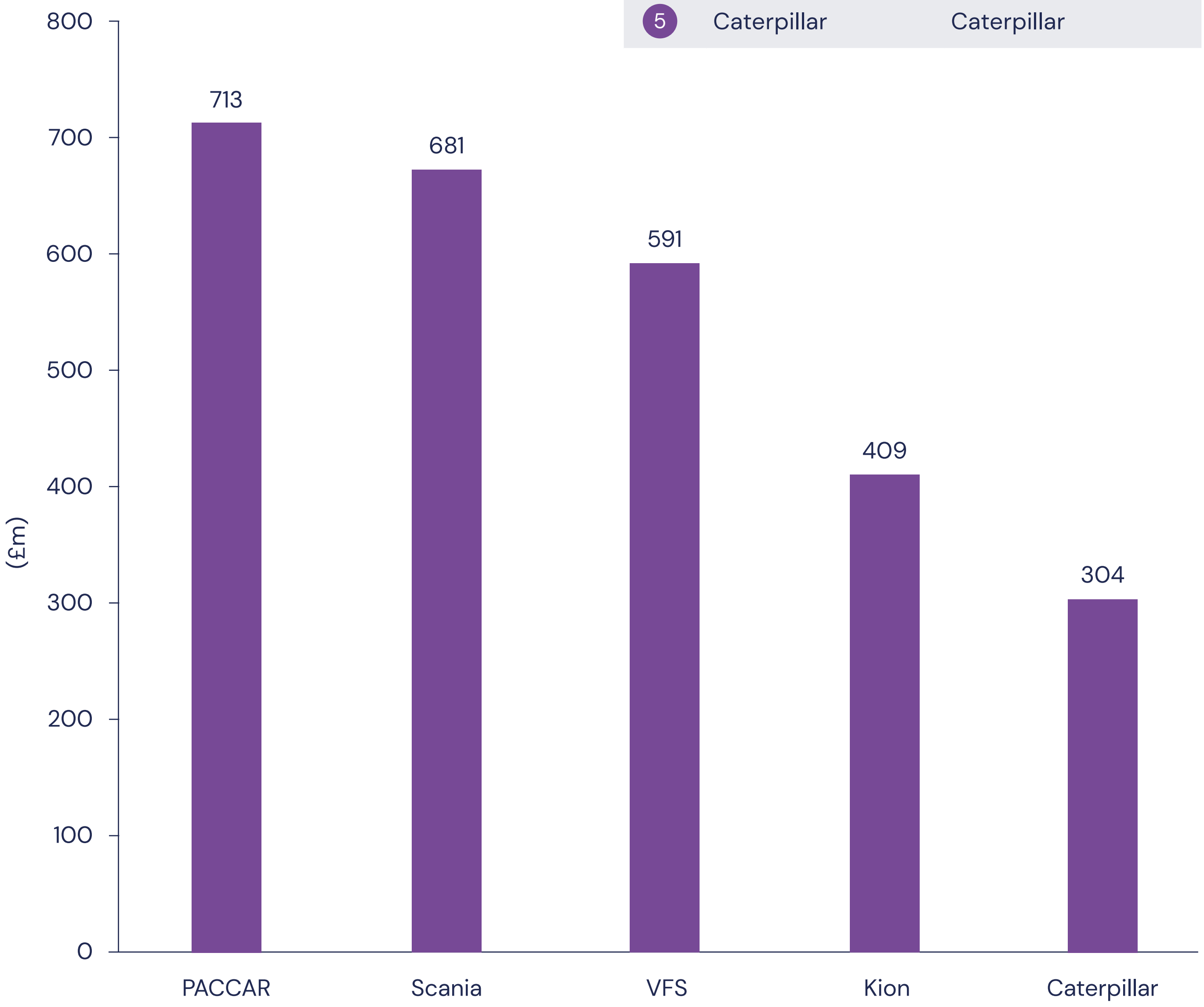
PACCAR regained its position as largest of the captive lessors this year. Total net leasing for these five firms at £3.0 billion was up 13% from the previous year.

The AF50 excludes the captive motor companies as they do not split business and consumer finance.

We are also missing some technology lessors including Hewlett Packard and Dell.

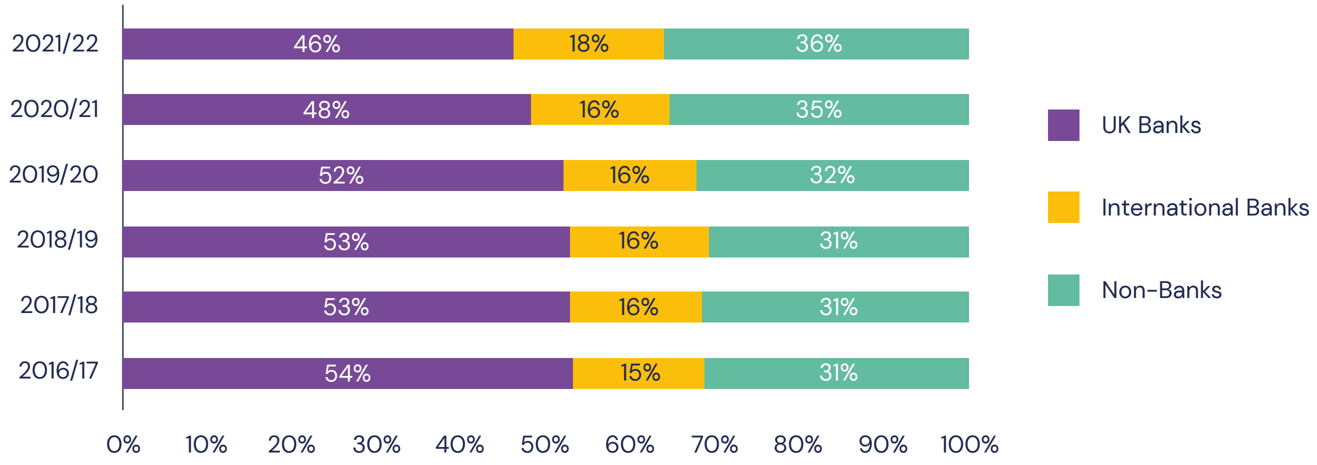
TOP FIVE MANUFACTURER LESSORS

Rank	2020/21	2021/22
1	Scania	PACCAR
2	PACCAR	Scania
3	VFS	VFS
4	Kion	Kion
5	Caterpillar	Caterpillar



Breakdown of the market by type of lender

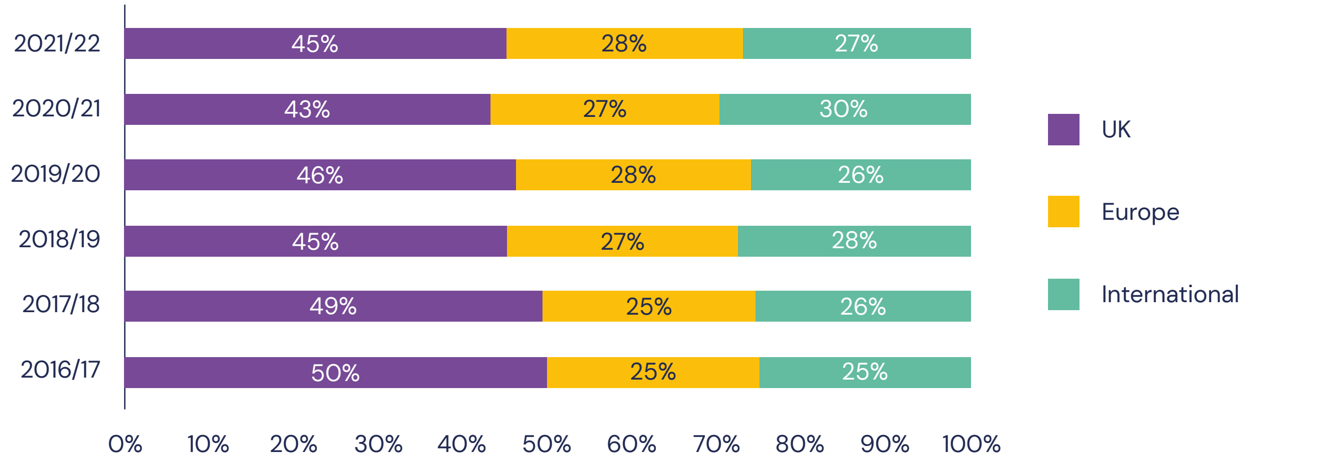
Non-UK banks, mainly European, increased their share of the market from 16% to 18% in the last year, with non-banks also increasing by one percentage point. Once again UK banks' share fell below half of total leasing to 46%..



Breakdown of the market by location of ownership

UK-owned lessors increased their share of the market from 43% to 45%, as Rock Rail increased its presence in the rail leasing market. European firms saw a 1% increase and international firms lost 3% share.

The firms that are not included in the AF50, due to lack of publicly available data (see General Notes) are also all non-UK owned. It is likely that including these would bring non-UK ownership of the industry to over 60%.



Firms with highest percentage growth rates in last reported year

Rank	Firm	Percentage growth
1	Propel	56%
2	United Trust	54%
3	Eversholt	43%
4	InterBay	40%
5	Simply	36%
6	Praetura	28%
7	Haydock	27%
8	Caterpillar	25%
9	PACCAR	23%
10	Cambridge & Counties Bank	22%

Note: Excludes new entrants to AF50

Firms with highest percentage growth rates over past three years

Here we highlight the firms that have shown the most consistent growth in percentage terms over a three-year period.

We include firms that have been part of the AF50 throughout the last three years, not new entrants.

Rank	Firm	Percentage growth
1	Simply	362%
2	Propel	315%
3	InterBay	242%
4	Kion	224%
5	United Trust	188%
6	Haydock	152%
7	Alphabet	70%
8	Close Brothers	54%
9	Praetura	47%
10	Shire Leasing	41%

Alfa

Firms with highest number of steps up the table

Here we highlight the firms that have moved up the table by the greatest number of places (including all those with 2 or more steps up).

Firm	No. of steps up
Simply	5
Propel	5
United Trust	5
Haydock	5
InterBay	4
Eversholt	4
Kion	3
PACCAR	3
Praetura	2
Paragon Bank	2
Cambridge & Counties Bank	2

Top twelve leaders

Top leasing firm	Lombard
Largest % growth in leasing firm	Propel
Largest £ growth in leasing firm (general leasing)	BNP Paribas
Top banking group	NatWest
Top manufacturer-owned	PACCAR
Largest % growth in manufacturer-owned	Caterpillar
Top fleet lessor	Lex Autolease
Largest % growth in fleet lessor	ALD
Top equipment independent (non-bank)	Novuna
Largest % growth in equipment independent	Propel
Highest number of steps up the AF50	Haydock, Propel, Simply, United Trust
Highest average annual growth rate over three years	Simply

Operating lease lessors

We continue to monitor the use of operating leases following the implementation of IFRS 16. Most are provided by rail rolling stock or car fleet lessors.

Total operating leases receivables were up 6.1%% in the year at £10.4 billion. This compares to an increase of 4.1% for finance leases. In the past three years, operating lease receivables have increased by 3.1%.

This is the first year since the implementation of IFRS 16 that operating leases have increased, following a combination of higher value leases in the fleet market, and new rolling stock fleets coming into use. Additionally, as operating leases are reported in financial statements as undiscounted minimum lease receivables, as interest rates rise this will lead to higher total net investment in leasing.

TOP TEN OPERATING LEASE LESSORS

Rank	Firm	Rank	Firm
1	Lex	6	Arval UK
2	Eversholt	7	LeasePlan
3	Alphabet	8	ALD
4	Angel Trains	9	Porterbrook
5	Novuna	10	Rock Rail

Payroll

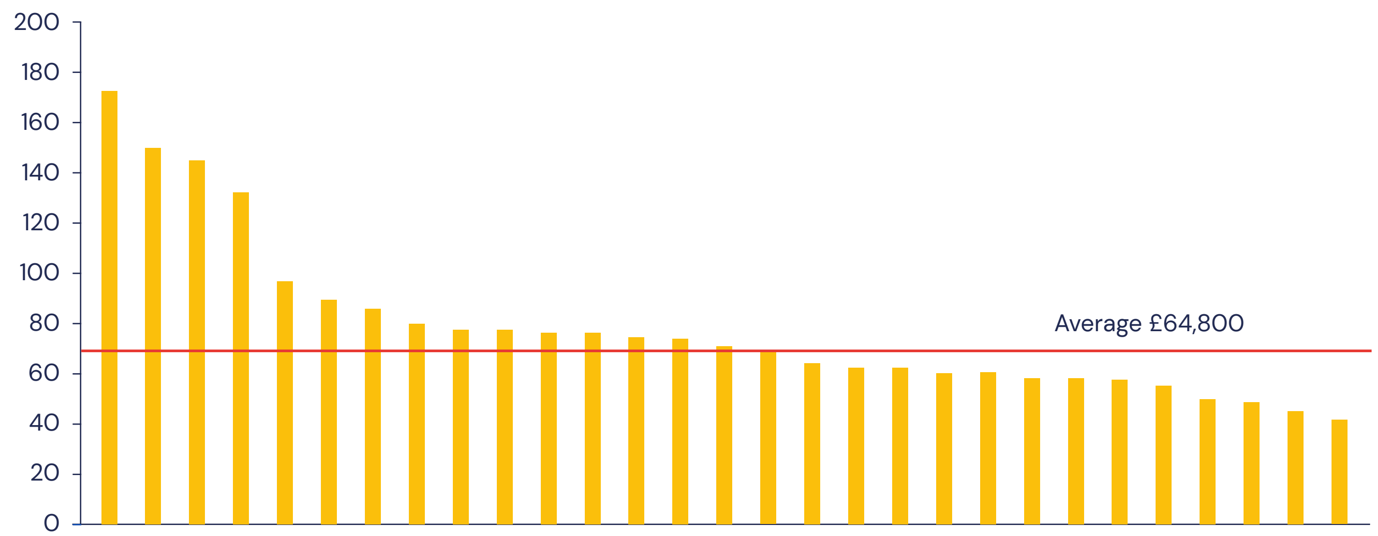
In this section we look at the number of staff working in the asset finance industry and their reported cost (including salary and any bonus, national insurance and other benefits, and pensions). We obtained data covering 29 of the top 50 firms from published annual reports that reported staff costs specific to their leasing activities. It also excludes directors' compensation.

Across the 29 firms, there were 6,277 staff. These firms represent 62% of the AF50 by value. The largest employers with data available were Lex, Arval, Lombard, LeasePlan, ALD, BNP Paribas and Lombard.

The average cost per employee (total payroll cost of all companies divided by total number of staff), across the 29 firms was £64,800 compared to £63,300 for the same firms last year, an increase of 2.4%. For equipment lessors (excluding fleet and rail lessors) the average was £72,200, compared to £68,900 last year for the same firms, an increase of 4.7%.

Average cost per employee varied considerably between firms from £42,000 to £173,000. Outlying values could reflect possible differences in accounting methodologies, irregular pension fund costs, and cost allocation arrangements between group companies.

FULLY LOADED COST PER EMPLOYEE (£000 BY FIRM)



INDUSTRY VIEWS

"Organisations that say one thing but act in another way won't be seen as genuine and risk damaging their reputation. Purpose-driven workplace environments that foster collaboration, innovation and personal growth are highly valued - but this need to be authentic. The external brand must match the internal experience."

Vicky Edwards,
Chief People Officer, Alfa

"A changing mindset and culture is required if the industry is to attract and retain the next generation of talent. At Metro Bank Asset Finance our mantra is that we hire for attitude and train for skill. This sees us on-boarding colleagues with varying degrees of experience and from a diverse range of backgrounds. We take pride in seeing these individuals progress in their careers and achieve industry-wide recognition for their achievements."

Nova Everidge,
Director of Asset Finance, Metro Bank

Loan performance

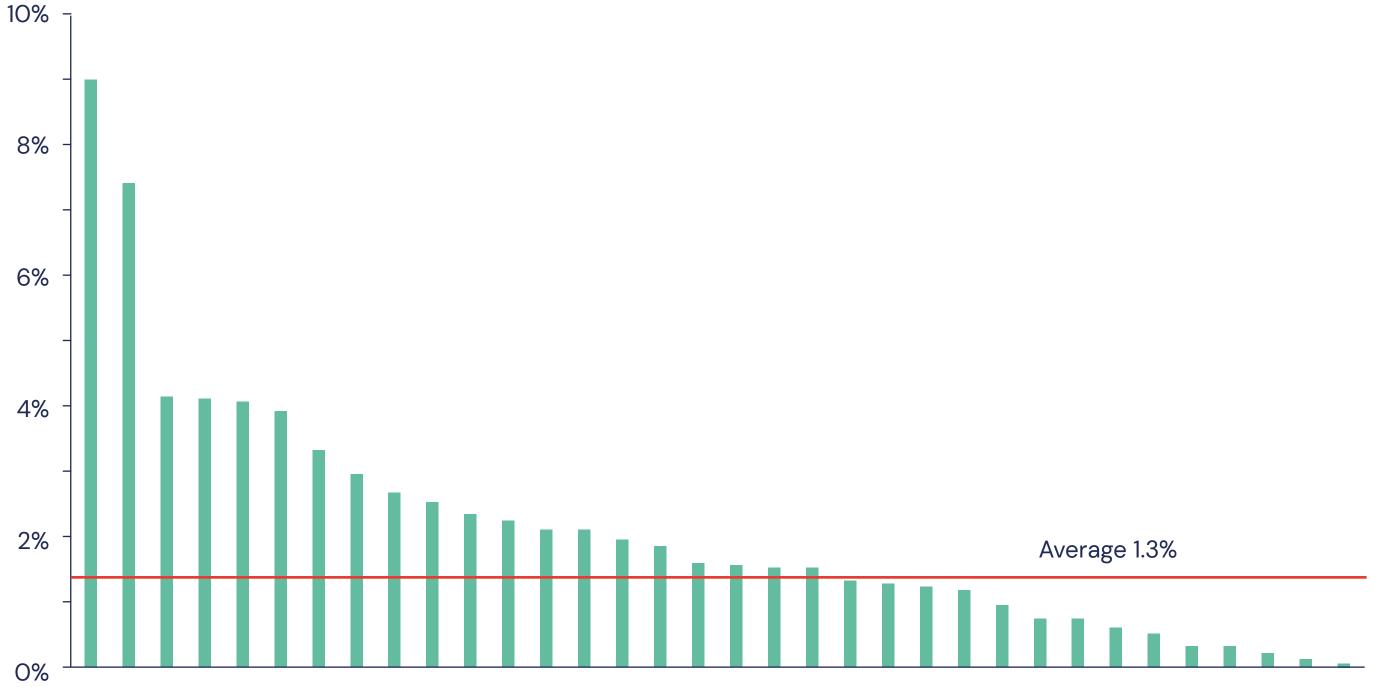
In this section we look at lessor's impairments (provisions) for losses from finance leasing contracts

We collated data on year-end impairments balances for leases from 34 firms in the AF50. The remaining firms did not publish data specific to leases.

The average level of provisions (total provisions for the 34 firms divided by total finance lease book) was 1.3%, down from 1.7% last year for the same firms.

Balances ranged from 0.1% of book to 10.6%. The distribution of firms' provisions is shown in the graph below.

PROVISIONS FOR FINANCE LEASE / HP LOSSES BY FIRM (PERCENT OF BOOK)



INDUSTRY VIEWS

"The industry's adaptability and use of increasingly readily available data focus on client needs and navigate the complex financial landscape post-Covid-19, rising inflation, and interest rates from the cost-of-living crisis and the Russia-Ukraine conflict. The industry can help companies maintain cash flow and achieve their objectives by providing asset financing solutions during economic uncertainty."

Daniel Bailey, Managing Director, Arkle Finance

"The asset finance industry is remarkably resilient and its success is based on a mixture of cyclical and counter-cyclical economic variables. Rising interest rates, potentially dampening client demand and increasing delinquency rates are offset by continued high residual values of used vehicles and the cash injection from government support packages. This gives the industry time to formulate new business models to benefit from the changing needs of clients and the automotive industry. "

Emily Hammond, Head of Product, Alfa

Working towards a sustainable asset finance industry

Following science-based target initiatives to reach their sustainability goals by 2030, the UK asset finance industry is committed to the journey to net zero, taking SMEs across the UK with them by providing sustainable asset finance backing and support.

With new regulations in place, businesses in the UK need to re-think their sustainability strategies and the impact their assets are having on the environment.

There are many ways in which the asset finance industry can support the transition to a greener future and more sustainable business model, including embracing the circular economy, moving to next-generation usage-based finance products and services, and promoting a green transition towards more energy-efficient assets.

Sustainability is becoming an intrinsic part of leasing and asset finance solutions. Climate change targets and sustainability initiatives present good opportunities for equipment, auto and asset finance markets, both economically and to deliver a positive impact on the environment, by investing in newer, energy-efficient, less resource-intensive green assets to replace carbon-intensive, inefficient, hard assets, and moving from a linear use of assets to a circular multi-lifecycle economy with the opportunity to refurbish, reuse and recycle assets.

The climate change challenge must be viewed with optimism by the asset finance community as sustainability provides opportunities for SMEs to upgrade assets to greener alternatives, thus giving them access to the latest, most efficient technology available, while keeping them competitive and in line with new environmental and sustainability targets.

It is essential for industry organisations to create strategic partnerships and coalitions across the asset finance ecosystem, take responsibility and start to make a difference with green assets and transitions. By uniting in the common goal to fight climate change, the asset finance industry can create an environmental impact through their business.

This year's Asset Finance UK 50 Report highlights the capabilities of the asset finance industry in minimising the impact of UK business on the environment and enabling the transition from dirty to green assets.

The UK asset finance industry is actively finding ways to significantly improve the effects of business on the environment, showcased by the following case studies of environmental initiatives within the sector.

INDUSTRY VIEWS

"Sustainability is not solely about facilitating the Net Zero transition. It also offers numerous commercial opportunities for the asset finance industry. By providing tailored financing solutions linked to the usage or revenues generated that cater to the increasing demand for sustainable technologies and practices and focusing on offering value to different parties throughout the lifecycle of an asset, we can create valuable partnerships and contribute to a greener future."

Daniel Bailey,
Managing Director, Arkle Finance Ltd

"The transition to Net Zero is not optional, so whatever role our industry can play in it has to be a priority. Asset finance is well placed to support distinct steps on our customers' journey, such as upgrading assets and infrastructure."

Mike Randall,
Chief Executive Officer, Simply

Aldermore

Founded in 2007, Environcom is an e-waste recycler, predominantly focusing on re-use first and as a last resort recycling electrical goods. As e-waste specialists, they work closely with customers and play an integral role in supply chain solutions, allowing them the opportunity to close the loop on e-waste. Their aim is to change the way we manage e-waste in a sustainable and future-proof way.

In 2016, Aldermore provided Environcom with an invoice finance facility with bad debt protection, to help the growing business maximise their cash flow.

In 2022, Aldermore further supported Environcom on a new project. As a fridge recycling plant, by law, the business must recover the refrigerant and blowing agent gases from fridges, due to the hazardous materials they contain. These must be destroyed by high temperature incineration. There were only two incinerators that could do this in the UK, so Environcom needed their own and the investment to help fund the Gas Energy Recovery Incinerator (GERI) project.

An additional benefit to the business is that the incinerator also produces heating and hot water from energy recovery, reducing Environcom's carbon footprint as the business looks towards becoming net zero.

James Harrowsmith, business development manager for asset finance at Aldermore commented: "Environcom have big ambitions and ideas for the future, and as a bank we want to continue to support them and help them grow. We're excited to see what they do next."

ARVAL BNP PARIBAS GROUP

Global healthcare provider Abbott Laboratories has continually worked to make its fleet as environmentally friendly as possible. Arval UK has been the company's solus provider for fleet services for more than 10 years, leasing cars on a 48-month contract-hire basis.

In March 2022, the company decided to switch its 475-strong car fleet to all-electric vehicles (EV) with a deadline of 2023.

Christina Harbour, Fleet, Risk and Finance Projects Manager at Abbott, explained: "We've set ourselves an objective of becoming all-EV really quite quickly, something made possible largely by Arval working with us to revise our policy to enable us to remove ICE and PHEV models at the earliest opportunity. This has meant we've been able to renew to electric much faster than would otherwise be the case. Fundamentally, we've tried to make EV adoption easy for our employees beyond the key attraction of the benefit-in-kind taxation advantages.

"We've worked with Arval to make charging as easy as possible, with the cost of installing home chargers included in the monthly lease payments. This enables drivers to spread the cost, something which is quite an innovation. There are also extensive charging facilities available at almost all of our UK sites. It's all about making EVs a practical choice."

100% of Abbot's orders this year are now for electric cars. And each electrified car delivered to Abbott employees also meets Arval's 1 Electrified Vehicle = 1 Tree scheme, which helps to increase global biodiversity and has seen more than 35,000 trees already planted in the UK.

Close Brothers Asset Finance

Close Brothers Leasing has provided an £85m facility to Conrad Energy for 10 battery storage projects as it continues to strongly grow and diversify its energy book.

The battery storage projects will vary in size from 7MW to 40MW, storing the over-supply of energy generated during windy and sunny weather, and releasing capacity when required. The lithium-ion batteries will be housed in containers sized between 1MW and 5MW.

Neil Davies, CEO, Close Brothers Commercial, said: "This is a significant facility in terms of value and strengthens the partnership we have with Conrad Energy. We've had a specialist team in place for nearly 10 years, and in that time they have provided finance for over 1,000MW* of installed generation capacity, which is only set to develop further as more and more renewable energy projects go live."

Gareth Palmer, Head of Sales for the Energy team at Close Brothers Leasing, said: "This deal is further proof of our commitment to expanding our lending in this growing sector, which is key to the UK's energy mix and essential in accelerating the replacement of fossil fuels with renewable energy. Battery storage systems are really beginning to come into their own and are becoming pivotal in responding to electricity demands."

Steven Hardman, CEO, Conrad Energy, said: "Conrad Energy's portfolio of battery storage developments provides significant stability to the grid and balances intermittent generation from renewables, increasing energy security and playing a vital role in the UK's energy transition to a lower carbon economy."

Haydock Finance

Launched in 2017, Transcend Packaging is a global leader in sustainable packaging and the first major producer of paper straws in the UK.

Transcend began discussions with Haydock's Structured Finance Directors Andrew Darby and Terry Hounsome on asset financing as they looked to scale production to meet rising demand driven by regulatory changes across the globe. With a wave of new legislation being introduced, such as the European Single-Use Plastics Directive, businesses are making the shift from plastic to sustainable alternatives in certain packaging categories.

One pressing challenge created by this regulation was to find a replacement for on-pack plastic straws for aseptic cartons by July 2021 which is why Transcend created its Industrial StrawTM solution.

The Industrial StrawTM is a direct replacement which allows customers to replace their existing poly-propylene U-bend or I-straws with a sustainable alternative with no or minimal adjustments to their existing packing equipment. The market will require billions of replacement paper straws within a short period of time, necessitating large production capacity increases. To meet rising customer demand, Transcend embarked on a significant machinery acquisition and deployment programme to produce large quantities of their Industrial Straw™.

Haydock Finance facilitated the acquisition of cutting-edge technology by structuring a £2.2 million hire purchase solution which enabled Transcend to significantly boost their production of the Industrial StrawTM.

Andrew Darby, Structured Finance Director at Haydock, commented: "We were delighted to assist Transcend with the addition of these cutting-edge machines, which will significantly increase their production capacity."

Alfa

HSBC

A Cornwall-based independent fishing and seafood processing business is accelerating its growth thanks to an eight-figure funding package from HSBC UK.

The funding package consists of working capital and term lending, alongside HSBC Equipment Finance's largest Marine Mortgage for fishing vessels in the UK. The funding will allow for investment across the Group in part, to be made available to modernise the group's fishing fleet as well as accelerate growth into both retail and wholesale sectors across the UK and European markets.

The business expects to grow from £50m to £70m within the next three to five years, and create 50 full-time positions thanks to the funding.

Leigh Genge, Group CEO at Ocean Fish Group, commented: "This funding will allow us to invest substantially across our catch, retail, and wholesale divisions to help deliver our ambitious expansion plans. It's been a difficult few years for the fishing industry so we're excited to be taking such a positive step forward to secure our future as a leader in the European seafood sector.

"As a customer of HSBC UK since incorporation over three decades ago, the bank has developed a deep understanding of our business and supported us to grow into the business we are today. In this latest deal, Christopher Hudson, our Relationship Director, was able to create a tailored funding solution that supported our growth ambitions."

Christopher Hudson, Corporate Banking Relationship Director at HSBC UK, said: "I am pleased to support the continued growth aspirations of Ocean Fish Group. We are committed to supporting innovative and forward-thinking businesses, that are poised for strong, sustainable growth. This business plays an important role in the supply of seafood across the country, so we are proud to be supporting a business that is so key for the UK's food supply."

Scott Ritchie, Relationship Director for Equipment Finance at HSBC UK, added: "Ocean Fish is a specialist in its field with big growth ambitions. This is a key transaction for HSBC UK Equipment finance as one of our first Marine Mortgages for fishing vessels in the country and we hope this paves the way for future investment into marine businesses."

The Ocean Fish Group is an independently owned fishing and seafood processing business with distribution to UK and international markets. Based in Cornwall it has a fully integrated supply chain model: quota and vessel ownership, market management and fish processing factories.

The business is the largest buyer of fish on the Southwest markets, and has extensive sourcing knowledge on imported species.

INDUSTRY VIEWS

"Sustainability is certainly becoming a significant focus for the asset finance providers in the UK market and there is growing activity in the recruitment market to source candidates with highly relevant experience across sales, credit and asset management.

"The challenge, however, is that the market is in its infancy and therefore the skill and experience required will go nowhere near supplying the demand. The direct consequence of this is that candidates with this very specific sector experience are in high demand and the salaries that they can command are outpacing the traditional asset finance sectors."

Graeme Chisholm,
Director, CBC Resourcing Solutions

HTB

HTB was approached by a broker on behalf of Extreme E, a new racing series featuring electric 4x4 vehicles, to raise funds of £5m against their prototype vehicles. The vehicles cost around £1m each and are transported by sea to reduce carbon footprint by 75%. Teams must have both male and female drivers who share driving responsibilities using the same unmodified electric SUV, the Spark Odyssey 21. The series showcases the green agenda by holding races in remote locations worldwide, with a focus on leaving a lasting environmental impact.

This was far from a straightforward deal. It was a brand-new start-up business; not even a mainstream business either, but a motor racing series, whose prototype vehicles are being pushed to the limit, with all the risks that brings.

The Extreme E deal exemplifies the importance of strong relationships with brokers, and introducers. HTB has invested a significant amount of time and effort in building relationships with intermediaries, including establishing a panel of key brokers who introduced significant levels of business to HTB. By understanding brokers and borrowers' unique requirements, HTB provides tailored solutions rather than a 'one-size-fits-all' approach. The success of the Extreme E deal demonstrates HTB's ability to fund cases that brokers would struggle to place with other funders.

The deal also highlights HTB's focus on financing environmentally friendly schemes. Over the past 12 months HTB have funded over £20m in electric vehicles and £8m of other renewable assets such as biomass boilers, solar panels and LED lighting.

INDUSTRY VIEWS

"Sustainability is increasingly no longer a choice for most businesses, and so they expect lenders like us to help them with that journey, with appropriate products and services, and for greener decisions to appear as the more attractive options."

Ian Isaac,
Managing Director, Lombard

"Making the move to Net Zero is a collective effort that's already spurring a wave of investments in electric vehicles and renewable energy assets, and this will lead to the further diversification, expansion, and evolution of the asset finance sector."

Jon Maycock,
Commercial Director, Propel Finance

"A change in business models could drive commercial opportunities. The auto finance industry needs to develop operational models and supporting technology to be able to facilitate the full lifecycle of a vehicle and manage the transition to more expensive EVs. This will necessitate investment in usage-based pricing and valuation, multi-modal subscription and leasing models, as well as funding the refurbishment and recycling of assets. Experience in the equipment finance industry, where there has historically been more widespread usage-based pricing and multi-asset contracts, will help smooth this transition."

Emily Hammond,
Head of Product, Alfa

Investec

Investec was approached by MAF Finance Group over two years ago, with a view to refinancing the existing funding, provided by the debt fund, the purpose of which was to: significantly reduce the overall interest burden; put in place a structure which enabled the Normans family (pictured) to repay the debt over 8 years; create valuable income from year 8 to bolster the business' underlying cash flow and enable further investment; the business is using their own waste to power the plant and now produce all their electricity requirement on site with the remaining exported back to the grid; with the by-product from the AD plant used to fertilise the farmland meaning very little is wasted in this process.

Why did it take two years? It was a complicated process and Investec pride themselves on building relationships and getting to know the reason for the lend. This deal was more than sustainability from an environment point of view, it also helped the family sustain their farm and business.

Andy Thrower, Sales Director at MAF Finance Group said: "The challenge was to find a funder who understood the technology, had developed policies and products that are fit for purpose in funding over an extended period. Investec were able to think outside the box in delivering a bespoke structure which works for the business."

Following an in-person visit to the farm by Investec, it was clear the double-digit coupon being paid on the loan provided by the debt fund was causing the Normans family an inordinate amount of stress and they were worried they might never be able to repay it.

"We visited the customer enabling us to fully understand the position regarding the existing debt stack and how it would need to be reorganised to enable the business to get back onto an even keel and I genuinely got the sense that we'd lived up to our purpose to create enduring worth, living in, not off, society," said Wesley Harfield, Investec Head of Asset Finance Sales.

With a funding package that works for their business, the farm can now provide energy for themselves from the waste off their farm and pay off the debt in eight years, something they did not think was possible two years ago.

Charlotte Davies, Head of Sustainable Energy Finance at Investec said, "The key to a positive result for this transaction was really understanding the business and how they operate as well as a good understanding of the energy market and I'm super proud that my 10+ years experience in Energy Funding has helped the family live worry-free again."

INDUSTRY VIEWS

"Asset finance addresses two primary challenges related to the implementation of ESG initiatives: firstly, the large initial cost of acquiring, setting up, and installing green assets and secondly, the ability to spread the payments before the economic benefits of the equipment are realised."

Jon Maycock,
Commercial Director, Propel Finance

Lombard

Decarbonisation of the transport sector, by driving the adoption of more sustainable forms of mobility, constitutes a crucial component of Lombard's climate strategy which seeks to accelerate the UK's net zero transition. To this end, Lombard's innovative partnership with Bolton-based WN Vtech to provide a multi-million-pound funding, has enabled the vehicle manufacturing specialist in its mission to increase the number of electric vehicles on roads.

The innovative £2m transaction has allowed WN VTech to fund a fleet of its state-of-the-art Mellor Sigma electric demonstration buses, meaning prospective customers will have the opportunity to trial the new electric model and experience the benefits of a more sustainable transport option before choosing to purchase. Critically, the zero-emission, battery-electric bus range, not only reduces carbon emissions, but also provides long-term cost-saving measures for businesses. The impressive lightweight construction and efficient battery-electric powertrain of the buses, combined with a 15-year structural warranty, provides operators with a package that delivers a low total cost of ownership.

WN VTech Ltd, formerly known as Woodall Nicholson, is Europe's leading specialist vehicle manufacturer and its expertise lies in EV and alternative fuels, with a focus on the creation of lightweight, fuel-efficient, and low-cost vehicles. This includes converting specialist sector vehicles such as ambulances and police cars to help businesses across a range of industries progress their climate goals by switching to electric transport.

Partnering with Lombard, the business has been able to accelerate its growth ambitions and invest heavily to enhance its product portfolio and, specifically, its electrification capabilities.

As a business committed to sustainability and deeply invested in innovation, WN VTech has also worked with Lombard and NatWest to identify actions that enables a reduction to its carbon footprint and increases energy efficiency through NatWest's market-leading Carbon Planner tool.

WN Vtech was one of the first organisations to trial the free digital tool which aims to support businesses to tackle cost of living pressures whilst driving the reduction in their environmental impact. The tool was launched in 2022 to form part of the bank's £100bn Climate and Sustainable Funding and Finance lending commitment.

paragon

Through funding assets such as electric vehicles, solar panels and biomass boilers, amongst others, Paragon has been at the forefront of supporting SMEs to acquire green assets.

Welfare4Hire supplies essential mobile welfare units into the construction industry. Its units feature a canteen, a toilet, a drying room area, hot and cold water, USB ports and 240 Volt sockets.

Paragon's £435,000 support for Welfare4Hire saw them acquire 20 EasyCabin ECO Smart 12 mobile welfare units, allowing them to expand their operations into Scotland and southern England - providing greater opportunity for construction firms throughout the UK to benefit from its services.

Where once such services would need to be powered by diesel generator units, Welfare4Hire's Paragon-financed units can be powered by either environmentally friendly Hydrotreated Vegetable Oil (HVO) or solar-power, saving the user over 3,000 litres of diesel fuel annually - helping construction firms to reduce the carbon footprint of their operations.

By looking beyond traditional green assets, Paragon is helping to further integrate sustainability into how businesses operate and is looking to the future. By supporting the UK's ambition to reduce greenhouse gas emissions to net zero by 2050, Paragon recognise that there are milestones to be reached for many industries – but things are starting to change.

Paragon is ready to support SMEs to invest in ground-breaking technologies and further improve their environmental standards.

propel®

Propel helped a North-East headquartered recycling and construction support specialist by financing a new sustainable aggregate processing and washer plant.

The equipment purchase has benefitted the customer economically in terms of creating a substantial new income stream from the sale of washed aggregates and value-added bi-products; whilst it has also delivered considerable environmental benefits, transforming the sustainable working practices of businesses throughout the entire supply chain including landfill, tipping and road haulage.

Following an introduction from its strategic banking partner, Propel's customer management and credit teams met with the customer, a privately-owned SME business with annual turnover of £4m, and their multi-national supplier on-site. This discussion enabled the team to gain a deep understanding of the customer's medium to long-term investment plans and strategy, the commercialisation of the assets, and the lengthy and complex commissioning cycle for the equipment - which covered substantial acreage.

Propel structured and delivered a comprehensive £2m asset finance package to enable the customer to purchase the end-to-end processing plant comprising a control room, buffer tank, washer plant, filter press, feed conveyors and several additional items of processing equipment.

The plant has been running for nine months, processing thousands of tonnes of cost-efficient, recyclable sand and aggregate, reducing power consumption and landfill requirements, and recycling up to 90% of the water back into the washing process.

SCANIA FINANCIAL SERVICES

Scania Financial Services (SFS) is committed to driving the shift towards more sustainable transport solutions, with a choice of vehicles powered by renewable fuels including compressed natural gas (CNG). As an automotive fuel, CNG can deliver sustainability benefits in terms of carbon footprint reduction and is increasingly available, with a number of dedicated refuelling stations throughout the UK.

A company opting for gas is Hull-based bakery Jacksons, which has recently taken delivery of seven compressed natural gas (CNG) powered Scania trucks funded by SFS on a five-year operational lease agreement.

With each truck set to cover 200,000 kilometres a year, the projected annual carbon dioxide savings equates to 102 tonnes per truck. The acquisition of these vehicles represents an important element of Jacksons Bakery's carbon reduction programme, which is central to the company's commitment to sustainability.

"Jacksons, and the wider William Jackson Food Group of which we are part, believe in creating food for a better world," says Sam Michaels, Senior Logistics & Distribution Manager at Jacksons.

"We're a 171-year-old family business and take our responsibility to people and the planet seriously. We have targets in place to help demonstrate this, including emissions where we want minimise, and ultimately eliminate, our climate impact. Our ambition is to achieve Net Zero across all 3 Scopes of the internationally-recognised Greenhouse Gas Protocol (GHG Protocol) by 2050, and ideally well before. We are prioritising ways to accelerate decarbonisation across our own operations and our new CNG trucks help bring us one step closer to our goal."

SIEMENS

Calder Textiles Ltd, a family-run British supplier of woollen spun yarn, wanted to expand its manufacturing and capabilities by investing in pressure dying technology, a greener more efficient method of yarn dying.

"We're at a point in our business where we want to go into different types of processing, ones that are more sustainable for us and our customers," explains Greg Bedford, Managing Director at Calder.

"The textiles industry is high energy, for us that translates to gas and electricity. Previously we used an onsite transformer to support demand, but it was clear continuing to rely on this and old infrastructure too would not be enough to catapult us into the greener, cleaner producer we wanted to be."

Calder knew the type of equipment and technology needed to address its usage and reduce waste and costs – combined heat and power (CHP). However, the company wanted to find the ideal financing partner for the project, one who could also reliably incorporate infrastructure costs.

As a specialist financier, SFS had a deep understanding of the industry, the technology required, and the clear benefits of its use at Calder. Taking into account the company's cash flow, profitability and plans for the future SFS supplied a 5-year lending facility that covered equipment, technology and infrastructure.

With the new facility and CHP unit now in place, Calder can efficiently produce energy onsite giving the business greater control and oversight of its use. Any residual heat generated through its operation is used to warm water for the pressure dying process representing a big cost saving and means no energy is wasted.

SHIRE LEASING

PART OF SHIRE BUSINESS GROUP

DRIVING CLEAN AIR

VEHICLE FINANCE FROM SHIRE LEASING

Using core competencies and expertise to solve new and emerging environmental challenges, Shire Leasing have been instrumental in developing a ground-breaking financial solution that is delivering meaningful and long-term improvements to air quality across the country.

Working in collaboration with local authorities Shire Leasing provided a proposition where they administer grants and subsidised/interest-free financing to support customers wishing to upgrade to low or no emission vehicles and avoid paying charges following the introduction of clean air zones.

Since the launch of the first scheme in Bath and North East Somerset (B&NES) in January 2021, Shire has supported customers in replacing over £10m of vehicles and has administered over £3m of Grants and Interest Subsidies on behalf of local authorities.

B&NES is reporting that the charging implementation of the Clean Air Zone is having the intended effect, which is to improve air quality tangibly in the city. Cleaner fleets are thought to be contributing to the success with more than 90% of HGVs, coaches, buses and taxis entering the zone now compliant with the city's new minimum emission standards. Vans seen in the zone are also cleaner, rising from 60% compliance at launch to 80%.

Fast forward from the initial B&NES appointment, Shire Leasing's dedicated 'Driving Clean Air' programme has since gone on to deliver subsidised vehicle finance and grants through another four council appointments, administering CAZ financial support for the Greater Manchester Combined Authority (GM), Bristol City Council, Sheffield City Council and the joint Newcastle and Gateshead council scheme. Our GM programme includes full integration through API links to further improve the customer experience.

Simply—

With new regulations in place, businesses in the UK need to re-think their sustainability strategies and the impact their assets are having on the environment. A primary example is the London taxi service. Since the implementation of the Ultra Low Emission Zone in 2019, many firms have had to consider the longevity of their vehicles in the city.

CEO and founder of Sherbet Taxis Limited, Asher Moses, saw an opportunity. Sherbet is an innovation-led, premium electric taxi company on a mission to clean up London's air, one cab at a time. The fleet of more than 400 electric taxis is growing rapidly due to high demand for electric vehicles.

To fund this expansion, Sherbet Taxis partnered with Simply who provided over £1.5m of lending. The funding is an example of how asset finance can be a key enabler in the net zero transition. As Mike Randall, CEO of Simply, puts it: "Simply's service is about more than money, we want to help our customers reach their potential. The challenge of transition to a Net Zero economy concerns everyone, and we are here to help our customers on the journey."

Mike continues. "The benefits are clear. Not only is there a positive environmental impact, but drivers are also saving a significant amount on fuel which in the current economic climate will be extremely impactful."

Like Simply, Sherbet is using technology to differentiate themselves in the market. Their easy-to-use Sherbet Ride App is the only app that guarantees an electric black taxi in London and will guarantee pick up.

Virgin MONEY

Campeys of Selby is a family owned, fourth generation haulage firm, specialising in glass haulage and other specialist forms of logistics. They have set themselves an ambitious goal to have a net zero carbon fleet by 2030. In doing so, they provide a critical solution for the wider glass industry in reducing emissions.

Virgin Money has supported the Company's transition to greener fuelling by way of a seven-figure asset finance facility which includes providing initial support for the purchase of 6 New Iveco S-way trucks that can be fuelled by compressed natural Gas (CNG). Whilst CNG is itself is a lower emissions fuel, Campeys have demonstrated their commitment and ambition towards optimising carbon reduction by sourcing Biomethane - a renewable fuel sourced from anaerobic digestion plants, turning waste into fuel and consequently yielding up to 90% net reduction in carbon emissions.

As CNG fuelled trucks have only recently been introduced to haulage fleets in limited numbers, evidence around practical matters of performance reliability, residual value, refuelling infrastructure, general market appeal (including resale value) and adoption are less proven. While some asset data is available, the lending assessment more inherently more complex and demands a greater depth of understanding the proposal.

By being inquisitive and exploring Campeys business model further, Virgin Money identified the assets' significant appeal for Campeys key customer base and underlying markets. The glass manufacturing industry in particular is particularly keen to demonstrate improved ESG credentials through their supply chain, including logistics and transportation partners. It therefore became clear that by being able to provide ongoing tangible evidence of carbon reduction, Campeys was able to improve the rental profile generated by the new trucks, which provided greater confidence in the proposal's viability and improves the underlying dynamics of Virgin Money's lend.

The outcome is a solution proving that the transition to greener technologies isn't reliant on larger Corporates proving the model first but that regional UK SME hauliers are able to compete effectively and can demonstrate their ESG credentials as a value add proposition.

How we measure firm size

The rankings are based on the lessor's net investment in business equipment leasing, based on UK or international accounting standards definitions of leases.

For finance leases and hire purchase, we show the present value of total receivables less unearned (deferred) income, impairments, and unguaranteed residual values.

For operating leases, we show the undiscounted minimum contracted future lease payments less any specific provisions. Most firms now include operating lease disclosures to their latest accounts but where this is not available, we show 50% of the balance sheet carrying amount of assets used for operating leases as a proxy for the minimum contracted future lease payments. The notes to the rankings show where this method has been used, with the note 'OL' alongside the data.

The tables exclude assets under construction for use in leases where there is not yet a lease receivable recognised for accounting purposes.

Block finance is excluded from the block provider's net investment, as the leases are written between the block finance receiver and its customers.

In general, we exclude providers of subleases where a firm leases an asset from a lessor (head lease) and then releases the same asset as intermediate lessor to it own customers. We also exclude books of leases sold to other firms, where under accounting rules the buyer then reports the agreements. Both exclusions are to avoid double-counting. However, if in either case the end-customer lease volume will not be reported by another AF50 firm, it is treated as if it was a normal lease. The notes to the tables show where this applies.

GENERAL NOTES TO TABLES

Considerable effort has been made to ensure the accuracy of the rankings and where possible they have been confirmed with the relevant firms, but it remains important to use the data with care. Known limitations and other points to be aware of are listed below. We will publish updates online if errors or omissions are notified to us and welcome feedback for the next edition.

- Some firms are excluded:
  - Some automotive lessors (for example Ford Credit, Volkswagen Financial Services) show combined figures for consumer and business finance so we've been unable to include them as we have no reliable basis for estimating the proportion that is business leasing.
  - Some lessors (for example HP and Dell) don't publish separate UK accounts for their financial services arms.
  - Some lessors (for example Macquarie, Bank of America) publish UK accounts for only some of their UK leases. Using this published information could significantly misrepresent their real size.
  - Some lessors, particularly smaller firms in the fleet market, are sublessees, to avoid duplication we only include the head lessees.
  - Although unlikely, we may also have completely missed lessors by mistake, and we'd be happy to hear from such firms and add them to the next edition.
  - Lloyds Bank does not publish figures for business equipment and vehicle leasing separate from other business lending. Lloyds Banking Group's annual report states that equipment leased customers under finance leases primarily relates to structured financing transactions to fund the purchase of aircraft, ships and other large individual items.
- Different lessors have different accounting year-ends, and some may be late in filing data at Companies House. For most firms this edition is based on the year to December 2021. The year-ends used range from December 2020 (only for PEAC Business Finance) to March 2023.
- We have not attempted to adjust for any differences between IFRS and UK GAAP, although these should be minor as non-IFRS users are now using FRS 102.
- Some lessors might have sold or securitised parts of their leasing books, possibly reducing the value of their lease receivables although these typically in general these remain on-balance sheet for the lessor.
- Lessors may report some non-UK business in their accounts. We have looked out for this and have sought to use data only for the UK market.
- Some firms may hold consumer contracts (typically cars) alongside their business leasing. Volumes involved are typically small, but we exclude consumer leases where there is a reasonable basis for doing so.
- A major part of our research effort has been the identification of the appropriate reporting entity. Some leasing firms are parts of groups with many entities and ownership arrangements. We have carefully reviewed group structures to identify the most appropriate sets of accounts to use and have attempted to confirm these with the firms where appropriate. There could still be instances where the figures shown do not include all parts of the lessor's UK businesses, for example where owned businesses are not consolidated at the UK parent company level.

Your input

We welcome your views and comments on the AF50. Your input will be important in helping to ensure the rankings are as complete and reliable as possible.

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