

2740356

Surrey Asset Finance Limited

Report and Financial Statements

31 July 2005

 ERNST & YOUNG



Surrey Asset Finance Limited

Registered No: 2740386

Directors

R A Aust
B Bannayi
M J Barley
D J Dine
M Gregg

Secretary

S C F Chan

Auditors


Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

HSBC Bank PLC
38 High Street
Dartford
Kent
DA1 1DG

Registered Office

Tolworth Tower
Surbiton
Surrey KT6 7EL

 ERNST & YOUNG

Directors' report

The directors present their report and financial statements for the year ended 31 July 2005.

Results and dividends

The company's trading profit before taxation amounted to £2,565,000 (2004 - £2,954,000). The directors paid an interim dividend of £100,000 (2004 - £317,515); no final dividend was proposed (2004 - £nil), leaving a retained profit for the year of £1,668,000.

Principal activities and review of the business

The principal activities of the company are the provision of instalment credit to business customers. The company has achieved good results in the year and the directors anticipate further growth in the foreseeable future.

Directors and their interests

The directors during the year were as follows:

R A Aust
B Bannayi
M J Barley
D J Dine
M Gregg (appointed 1 August 2004)
J Mort (resigned 31 August 2004)

M J Barley is a director of Close Brothers Limited and his interests in the share capital of Close Brothers Group plc are dealt with in the report of that company.

Details of the options to subscribe for ordinary shares of Close Brothers Group plc held by the directors under the company's sharesave scheme and Executive Share Option Purchase Scheme and details of the directors' interests in ordinary shares of Close Brothers Group plc are given in note 5(c) to the financial statements.

Policy and practice on payment of creditors

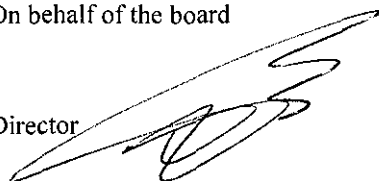
The company does not follow any stated code on payment practice. It is the company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms. Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with supplier at the outset. There are 15 creditor days of suppliers' invoices outstanding at the year end (2004: 19).

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the board

Director



Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Surrey Asset Finance Limited

We have audited the company's financial statements for the year ended 31 July 2005, which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP.

Ernst & Young LLP
Registered Auditor
London
Date

Profit and loss account

for the year ended 31 July 2005

	Notes	2005 £'000	2004 £'000
Turnover	2	8,352	8,691
Operating costs		(3,154)	(3,197)
Operating profit		5,198	5,494
Other income	3	30	19
Interest payable and similar charges	4	(2,663)	(2,559)
Profit on ordinary activities before taxation	5	2,565	2,954
Taxation	6	(797)	(868)
Profit for the financial year		1,768	2,086
Dividend - paid in the year		(100)	(318)
Retained profit	14	1,668	1,768
Retained profit brought forward		5,395	3,627
Retained profit carried forward	15	7,063	5,395

Statement of total recognised gains and losses

There are no recognised gains and losses other than those recognised in the profit and loss account.

The notes on pages 7 to 17 form part of these financial statements.

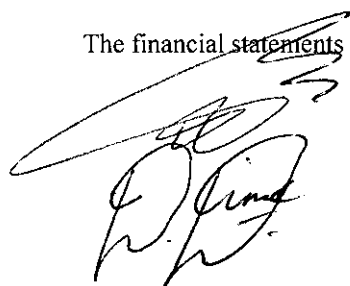
Balance sheet

as at 31 July 2005

	Notes	2005 £'000	2004 £'000
Fixed assets			
Tangible assets	7	1,299	28
Investments	8	-	-
Current assets			
Debtors - amounts falling due within one year	9	21,303	24,562
- amounts falling due after more than one year	9	35,130	38,297
Cash at bank and in hand		431	758
		<u>56,864</u>	<u>63,617</u>
Creditors: amounts falling due within one year	12	<u>(48,743)</u>	<u>(55,893)</u>
Net current assets		<u>8,121</u>	<u>7,724</u>
Total assets less current liabilities		<u>9,420</u>	<u>7,752</u>
Capital and reserves			
Called up share capital	13	1	1
Share premium account	15	2,356	2,356
Profit and loss account	14	7,063	5,395
Equity Shareholders' funds	15	<u>9,420</u>	<u>7,752</u>

The notes on pages 7 to 17 form part of these financial statements.

The financial statements were approved by the board on 22 September 2005.



Director

Director

Notes to the financial statements

as at 31 July 2005

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the SORP 'Accounting issues in the asset finance and leasing industry' issued by the Finance and Leasing Association.

Goodwill

Before 1 August 1998, goodwill arising on the acquisition of business assets representing the excess of the purchase consideration over the fair value ascribed to the net tangible assets was written off to reserves in the year of acquisition. From 1 August 1998 as required by Financial Reporting Standard 10, such goodwill arising subsequently shall be capitalised as an intangible asset and amortised in equal annual instalments over their useful lives. Goodwill written off to reserves would be charged to the Profit and Loss account on the subsequent disposal of the business to which it relates.

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

Fixtures, fittings and computer equipment	- 25%-33% per annum
Motor vehicles	- 25% per annum

Initial costs

With the exception of variable interest rate agreements, a fixed percentage of the finance charges relating to hire purchase, finance lease or regulated loan agreements is taken to income on the commencement of a new agreement to match the costs associated with setting-up that agreement.

Loan and advances

Loans and advances are stated net of provisions against doubtful debts which are made on the basis of regular review by management. The provision raised is an estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value and takes into account management's assessment of a combination of factors including each portfolio structure, characteristics of individual cases, past and expected credit losses and business and economic conditions.

Hire purchase and finance leases agreements

Hire purchase and finance leases agreements are recognised as loans at the minimum lease payments less finance charges. Leasing income, after deduction of initial costs if appropriate, is taken to income by the actuarial method. Finance charges on hire purchase agreements are taken to income by the sum-of-digits method which has the approximate effect of recognising such income at a constant rate of return on the capital element.

Finance receivables

Finance receivables are stated net of provisions, which are made on the basis of regular review by management.

Notes to the financial statements

as at 31 July 2005

1. Accounting policies (continued)

Deferred taxation

Deferred taxation is provided in full on material timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements. Deferred tax balances are not discounted.

Interest payable and similar charges

Interest payable comprises interest charged on bank loans, overdrafts and other loans together with the interest paid and received on interest rate swap agreements entered into for hedging purposes.

Pensions

Contributions within defined contribution schemes are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

Cash flow

The company has taken advantage of the exemption in FRS 1 (Revised 1996) for 90% or more owned subsidiaries. Accordingly, it has not presented a cash flow statement for the year ended 31 July 2005.

Group Accounting

The company has taken advantage of the exemption available under section 228 of the Companies Act 1985 from preparing group accounts. Accordingly these financial statements only contain information about Surrey Asset Finance Limited and not its subsidiary undertakings.

2. Turnover

Turnover, which arises wholly in the UK, represents net finance income arising from finance leases and hire purchase contracts, as well as commission and collection fees, exclusive of VAT.

The analysis of turnover is as follows:

	2005 £'000	2004 £'000
Hire purchase	3,338	3,442
Lease finance	3,772	4,091
Operating leases	69	-
Other income	1,173	1,158
	<u>8,352</u>	<u>8,691</u>

3. Other income

	2005 £'000	2004 £'000
Other income	<u>30</u>	<u>19</u>

Notes to the financial statements

as at 31 July 2005

4. Interest payable and similar charges

	2005	2004
	£'000	£'000
Bank loans and overdrafts – payable to group undertaking	2,663	2,559

5. Profit on ordinary activities before taxation

(a) This is stated after charging/(crediting):

	2005	2004
	£'000	£'000
Auditors' remuneration:		
- as auditors	6	16
- other services	11	12
Depreciation of owned tangible fixed assets	16	24
Depreciation of assets held for operating leases	100	-
Staff costs including executive directors:		
Wages and salaries	881	954
Social security costs	111	129
Other pension costs	44	29
Loss/(profit) on disposal of fixed assets	2	(2)
Operating lease, rentals payable or leasehold property	40	41

(b) Directors' remuneration:

	2005	2004
	£'000	£'000
Emoluments	763	659
Compensation for loss of office	109	-
Company contributions paid to money purchase pension schemes	33	37

	2005	2004
	No.	No.
Members of money purchase pension schemes	4	4

The amounts in respect of the highest paid director are:

	£'000	£'000
Emoluments	227	220
Company contributions paid to money purchase pension schemes	14	13

Notes to the financial statements

as at 31 July 2005

5. Profit on ordinary activities before taxation (continued)

(c) Directors' interests in shares and share options:

Directors' Group Share Options:

Unexercised options over ordinary shares of Close Brothers Group plc held by directors under the company's sharesave share option scheme were as follows:

	<i>1 August 2004</i>	<i>Lapsed</i>	<i>Granted</i>	<i>31 July 2005</i>
B L Bannayi	1,574	-	-	1,574
D J Dine	2,416	-	-	2,416
R A Aust	1,450	-	701	2,151

Directors' interests in ordinary shares of Close Brothers Group plc held in own name or spouse's name were as follows:

	<i>31 July 2005</i>	<i>1 August 2004</i>
R A Aust	1,025	1,025
D J Dine	732	-

Directors' interests in ordinary shares of Close Brothers Group plc granted under the Group's profit sharing scheme were as follows:

	<i>31 July 2005</i>	<i>1 August 2004</i>
D J Dine	1,101	1,833

Directors' interests in ordinary shares of Close Brothers Group plc granted under the Group's Executive Share Option Purchase Scheme were as follows:

	<i>1 August 2004</i>	<i>Lapsed</i>	<i>Granted</i>	<i>31 July 2005</i>
B L Bannayi	8,000	-	8,000	16,000
D J Dine	5,000	-	5,000	10,000

The interests of M J Barley in shares of Close Brothers Group plc is dealt with in the report of Close Brothers Limited.

Notes to the financial statements

as at 31 July 2005

5. Profit on ordinary activities before taxation (continued)

(d) Employee numbers:

The average number of employees during the year was:

	2005 No.	2004 No.
Office and management	6	7
Sales and collections	4	4
	<u>10</u>	<u>11</u>

6. Taxation on profit on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £'000	2004 £'000
<i>Current Tax:</i>		
UK corporation tax:	1,033	1,391
Tax (over)/under provided in prior years	(7)	(32)
Total current tax (Note 6(b))	<u>1,026</u>	<u>1,359</u>
<i>Deferred Tax:</i>		
Deferred tax – current year	(241)	(488)
Deferred tax – prior year	12	(3)
Total deferred tax	<u>(229)</u>	<u>(491)</u>
Tax on profit on ordinary activities	<u>797</u>	<u>868</u>

Notes to the financial statements

as at 31 July 2005

6. Taxation on profit on ordinary activities (continued)

(b) Factors affecting the tax charge

The tax assessment on profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 – 30%). The differences are reconciled below:

	2005 £'000	2004 £'000
Profit before tax	2,565	2,954
Corporation tax at 30%	770	886
Expenses not deductible for tax purposes	20	18
Depreciation in excess of capital allowances	263	456
Movement in general provisions	(20)	31
Tax overprovided in previous years	(7)	(32)
	1,026	1,359

7. Fixed assets

	Motor vehicles	Fixtures, fittings and computer equipment	Assets held for operating leases	Total
	£'000	£'000	£'000	£'000
Cost:				
At 1 July 2004	18	95	-	113
Additions	17	6	1,599	1,622
Disposals	(18)	-	(249)	(267)
At 31 July 2005	17	101	1,350	1,468
Depreciation:				
At 1 July 2004	8	77	-	85
Charge for the year	5	11	100	116
Disposals	(10)	-	(22)	(32)
At 31 July 2005	3	88	78	169
Net book value:				
At 31 July 2005	14	13	1,272	1,299
At 31 July 2004	10	18	-	28

Notes to the financial statements

as at 31 July 2005

8. Investments

	<i>Subsidiary undertakings £</i>
Cost:	
At 1 August 2004	100
At 31 July 2005	100
Net book value:	
At 31 July 2005	100
At 1 August 2004	100

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of registration (or incorporation) and operation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
<i>Subsidiary undertakings</i>				
All held by the company unless indicated:				
Commercial Finance Credit Limited	England and Wales	Ordinary shares	100%	Financing

9. Debtors

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	<i>2005 £'000</i>	<i>2004 £'000</i>	<i>2005 £'000</i>	<i>2004 £'000</i>
Finance receivables	19,536	22,948	35,130	38,297
Prepayments	16	26	-	-
Other debtors	926	993	-	-
Deferred tax	825	595	-	-
	<u>21,303</u>	<u>24,562</u>	<u>35,130</u>	<u>38,297</u>

Notes to the financial statements

as at 31 July 2005

9. Debtors (continued)

Included in finance receivables are the following amounts:

	2005	2005	2005	2004
	Gross	Unearned	Net	Net
	£'000	charges	£'000	£'000
		£'000		
HP agreements:				
within one year	11,536	2,501	9,035	11,380
after one year	20,378	2,443	17,935	19,096
	31,914	4,944	26,970	30,476
Finance leases:				
within one year	13,263	2,770	10,493	11,551
after one year	19,566	2,374	17,192	19,198
	32,829	5,144	27,685	30,749
Regulated loans:				
within one year	9	1	8	17
after one year	3	-	3	3
	12	1	11	20
Total:				
within one year	24,808	5,272	19,536	22,948
after one year	39,947	4,817	35,130	38,297
	64,755	10,089	54,666	61,245

10. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2005 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £105,677,365 (2004 - £128,184,560).

Notes to the financial statements

as at 31 July 2005

11. Deferred taxation

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total deferred tax asset	970	1,143	(145)	(547)	825	596

Movement in the year:

	<i>£'000</i>
Asset at 1 August 2004	596
Deferred tax charge – current year	241
Deferred tax charge – prior year	(12)
Asset at 31 July 2005	825

12. Creditors: amounts falling due within one year

	<i>2005</i>	<i>2004</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	2,781	3,066
Amounts due to group undertakings	45,082	51,614
Current corporation tax	418	697
PAYE and social security costs	11	137
Accruals and deferred income	451	379
	48,743	55,893

Notes to the financial statements

as at 31 July 2005

13. Called up share capital

	2005 £'000	2004 £'000
Authorised:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	79	79
Ordinary 'B' shares of £1 each	21	21
	<u>100</u>	<u>100</u>
Called up, allotted and fully paid:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	1	1
Ordinary 'B' shares of £1 each	-	-
	<u>1</u>	<u>1</u>

"A" and "B" shares convey identical rights to the owners and rank pari passu on winding up except that a quorum for any General Meeting must include at least one holder of "A" shares.

14. Reserves

	2005 £'000
At beginning of year	5,395
Retained profit for the financial year	1,668
	<u>7,063</u>
At end of year	

15. Reconciliation of movements in shareholders' funds

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total share- holders' funds £'000
At 31 July 2004	1	2,356	5,395	7,752
Profit for the year	-	-	1,668	1,668
At 31 July 2005	<u>1</u>	<u>2,356</u>	<u>7,063</u>	<u>9,420</u>

The cumulative goodwill written off against reserves is £266,000 (2004 - £266,000).

Notes to the financial statements

as at 31 July 2005

16. Financial commitments and contingent liabilities

The minimum annual commitment under non cancellable operating leases was as follows:

	2005	2004
	£'000	£'000
Land and buildings		
Leases expiring:		
Between two and five years	-	9
More than five years	26	26
	<u>26</u>	<u>35</u>

17. Related parties

The company has taken advantage of the exemptions conferred by FRS 8 ('Related Party Transactions'), whereby details of transactions with group companies do not have to be disclosed in the subsidiary entity if the entity is more than 90% owned and if group financial statements are publicly available.

18. Interest rate contracts

Interest rate swap agreements and interest rate caps are entered into for hedging purposes. The nominal value of the open contracts at 31 July 2005 was £32 million (2004 - £35 million).

19. Parent undertaking

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Close Brothers Group plc, the ultimate parent undertaking, which is a listed company registered in England and Wales, and the parent undertaking of the smallest such group is Close Brothers Limited, registered in England and Wales. Copies of the financial statements of both Close Brothers Group plc and Close Brothers Limited may be obtained from 10 Crown Place, London EC2A 4FT.