

2740386

SURREY ASSET FINANCE LIMITED

Report and Accounts

31 July 2001

 ERNST & YOUNG



Surrey Asset Finance Limited

Registered No. 2740386

DIRECTORS

D G Hardisty (Chairman))
R H Stone) 'A' Directors
M Booker)
P E Curtis)

B Bannay (Managing))
D J Dine) 'B' Directors
J R Mort)
R A Aust)

SECRETARY

P E Curtis

AUDITORS

Ernst & Young LLP
Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

REGISTERED OFFICE

Rolls House
7 Rolls Buildings
Fetter Lane
London EC4A 1NH

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 July 2001.

RESULTS AND DIVIDENDS

The company's trading profit before taxation amounted to £1,250,000 (2000 - £1,101,000). The directors paid an interim dividend of £Nil (2000 - £Nil) and recommend a final dividend of £Nil (2000 - £350,000), leaving a retained profit carried forward of £1,018,000.

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:

D G Hardisty (Chairman)
R H Stone
M Booker (appointed 24 October 2000)
P E Curtis
B Bannayi (Managing Director)
D J Dine
G DeVries (resigned 22 August 2000)
R A Aust
J R Mort

D G Hardisty is a director of Close Brothers Group plc, the ultimate parent undertaking. His interest in the share capital of Close Brothers Group plc is dealt with in the report of that company.

The interests of directors or their families in the ordinary shares of the company are:

	31 July 2001	31 July 2000
B Bannayi	61	61
D J Dine	61	61

AUDITORS

On 28 June 2001 Ernst & Young, the company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The directors consented to treat the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. A resolution to reappoint Ernst & Young LLP as the company's auditor 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 ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS
to the members of Surrey Asset Finance Limited

We have audited the accounts on pages 5 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 July 2001 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

20 September 2001

Surrey Asset Finance Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2001

		<i>As restated</i>	
	<i>Notes</i>	<i>2001</i>	<i>2000</i>
		<i>£'000</i>	<i>£'000</i>
TURNOVER	2	16,476	12,373
Operating costs		(13,232)	(9,693)
Other income	3	24	19
Interest payable and similar charges	4	(2,018)	(1,598)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,250	1,101
Taxation	6	(232)	(352)
PROFIT FOR THE FINANCIAL YEAR		1,018	749
Dividend		—	(350)
RETAINED PROFIT		1,018	399
RETAINED PROFIT BROUGHT FORWARD		1,488	1,089
RETAINED PROFIT CARRIED FORWARD	13	2,506	1,488

STATEMENT OF RECOGNISED GAINS AND LOSSES

	<i>As restated</i>	
	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	1,018	749
Total recognised gains and losses relating to the year	1,018	749
Prior year adjustment (as explained in note 10)	46	
Total gains and losses since last annual report	1,064	

Surrey Asset Finance Limited

BALANCE SHEET

at 31 July 2001

		2001	As restated 2000
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	7	137	182
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	13,153	10,351
- amounts falling due after more than one year	8	27,259	21,102
Cash at bank and in hand		1,256	312
		41,668	31,765
CREDITORS: amounts falling due within one year	11	(37,208)	(28,368)
NET CURRENT ASSETS		4,460	3,397
TOTAL ASSETS LESS CURRENT LIABILITIES		4,597	3,579
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Share premium account	14	2,356	2,356
Profit and loss account	14	2,506	1,488
Goodwill write-off reserve	14	(266)	(266)
SHAREHOLDERS' FUNDS - Equity	14	4,597	3,579

The accounts were approved by the board
on 20/8/2001

Director

Director

Surrey Asset Finance Limited

CASH FLOW STATEMENT for the year ended 31 July 2001

	<i>Notes</i>	<i>2001 £'000</i>	<i>2000 £'000</i>
NET CASH INFLOWS FROM OPERATING ACTIVITIES	15(a)	1,145	328
TAXATION		(186)	(421)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	15(b)	(15)	(128)
EQUITY DIVIDENDS PAID		-	(350)
INCREASE/(DECREASE) IN CASH		<u>944</u>	<u>(571)</u>

NOTES TO THE ACCOUNTS

at 31 July 2001

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. The company has adopted Financial Reporting Standard No. 19 and both the profit and loss account and balance sheet comparatives have been restated

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.

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.

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 accounts. This policy reflects the company's early adoption of Financial Reporting Standard No. 19 on Deferred Taxation.

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2001

1. ACCOUNTING POLICIES (continued)

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.

2. TURNOVER

Turnover, which arises wholly in the UK, represents gross rentals and repayments due on finance leases and hire purchase contracts, as well as commission and collection fees, exclusive of VAT.

The analysis of turnover is as follows:

	2001 £'000	2000 £'000
Hire purchase	7,014	5,199
Lease finance	8,793	6,560
Other income	669	614
	<u>16,476</u>	<u>12,373</u>

3. OTHER INCOME

	2001 £'000	2000 £'000
Other income	24	19
	<u>24</u>	<u>19</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

Interest payable and similar charges represent funding costs, comprising interest and fees charged in respect of bank loans and overdrafts, and interest receivable or payable on interest rate swap agreements entered into for hedging purposes.

	2001 £'000	2000 £'000
Bank loans and overdrafts – payable to group undertaking	2,018	1,598
	<u>2,018</u>	<u>1,598</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2001 £'000	2000 £'000
Auditors' remuneration:		
- as auditors	12	9
- other services	8	4
Depreciation of owned tangible fixed assets	69	70
Staff costs including executive directors:		
Wages and salaries	764	591
Social security costs	79	74
Other pension costs	33	37
(Profit)/loss on disposal of fixed assets	(9)	6
	<u>896</u>	<u>821</u>

NOTES TO THE ACCOUNTS

at 31 July 2001

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(b) Directors' remuneration:

	2001 £'000	2000 £'000
Emoluments	504	535
Company contributions paid to money purchase pension schemes	38	38

Members of money purchase pension schemes	4	4
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The amounts in respect of the highest paid director are:

	£'000	£'000
Emoluments	157	147
Company contributions paid to money purchase pension schemes	11	11

(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:

	1 August 2000	Exercised	Granted	31 July 2001
B L Bannayi	1,011	1,011	—	—
D J Dine	2,562	—	—	2,562
R A Aust	1,025	—	—	1,025

(d) Employee numbers:

The average number of employees during the year was:

	2001 No.	2000 No.
Office and management	7	7
Sales and collections	4	3
	11	10

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS at 31 July 2001

6. TAXATION

	2001 £'000	2000 £'000
UK corporation tax at 30% (2000 – 30%)	396	366
Corporation tax (over)/under provided	(149)	32
Deferred tax – current year	(15)	–
Adjustments in respect of prior years: deferred tax (see note 10)	–	(46)
	<u>232</u>	<u>352</u>

7. FIXED ASSETS

	Motor vehicles £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost:			
At 1 July 2000	260	66	326
Additions	52	5	57
Disposals	(115)	–	(115)
At 31 July 2001	<u>197</u>	<u>71</u>	<u>268</u>
Depreciation:			
At 1 July 2000	106	38	144
Disposals	(82)	–	(82)
Charge for year	56	13	69
At 31 July 2001	<u>80</u>	<u>51</u>	<u>131</u>
Net book value:			
At 31 July 2001	<u>117</u>	<u>20</u>	<u>137</u>
At 31 July 2000	<u>154</u>	<u>28</u>	<u>182</u>

8. DEBTORS

	Amounts falling due within one year		Amounts falling due after more than one year	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Finance receivables	12,688	10,121	27,259	21,102
Prepayments	14	31	–	–
Other debtors	390	153	–	–
Deferred tax	61	46	–	–
	<u>13,153</u>	<u>10,351</u>	<u>27,259</u>	<u>21,102</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2001

8. DEBTORS (continued)

Included in finance receivables are the following amounts:

	2001	2001	2001	2000
	Gross	Unearned	Net	Net
	£'000	charges	£'000	£'000
		£'000		
HP agreements:				
within one year	6,864	1,666	5,198	3,758
after one year	13,310	2,084	11,226	7,488
	<u>20,174</u>	<u>3,750</u>	<u>16,424</u>	<u>11,246</u>
Finance leases:				
within one year	9,862	2,372	7,490	6,362
after one year	18,865	2,832	16,033	13,615
	<u>28,727</u>	<u>5,204</u>	<u>23,523</u>	<u>19,977</u>
Total:				
within one year	16,726	4,038	12,688	10,120
after one year	32,175	4,916	27,259	21,103
	<u>48,901</u>	<u>8,954</u>	<u>39,947</u>	<u>31,223</u>

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9. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 2001 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £61,209,432 (2000 - £56,401,524).

10. DEFERRED TAXATION

	Capital allowances		Short term and other timing differences		Total	
	2001	2000	2001	2000	2001	2000
		(Restated)		(Restated)		(Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
As previously reported	-	-	-	-	-	-
Effect of adopting FRS 19	126	111	(65)	(65)	61	46
Total deferred tax asset	<u>126</u>	<u>111</u>	<u>(65)</u>	<u>(65)</u>	<u>61</u>	<u>46</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2001

10. DEFERRED TAXATION (continued)

Movement in the year:

	£'000
Asset at 1 August 2000	—
Effect of adopting FRS 19	46
Restated at 1 August 2000	46
Charge for year before adopting FRS 19	—
Credit for year arising from adopting FRS 19	15
Asset at 31 July 2001	61

Prior year adjustment

The company has adopted Financial Reporting Standard No. 19 and both the profit and loss account and the balance sheet prior year comparatives have been restated. The taxation charge for the year ended 31 July 2000 has decreased by £46,000 as a result. As at 31 July 2000 the deferred tax asset has increased by £46,000. The effect on the results for the year ended 31 July 2001 is to decrease the taxation charge by £15,000

11. CREDITORS - amounts falling due within one year

	2001 £'000	2000 £'000
Trade creditors	1,988	1,528
Amounts due to parent undertaking	34,756	26,443
Current corporation tax	87	238
Other taxes and social security costs	49	61
Accruals and deferred income	328	98
	37,208	28,368

12. CALLED UP SHARE CAPITAL

	2001 £'000	2000 £'000
Authorised:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	79	79
Ordinary 'B' shares of £1 each	21	21
	100	100
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	—	—
	1	1

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2001

13. RESERVES

	2001 £'000
At beginning of year as previously stated	1,442
Prior year adjustment	46
At beginning of year as restated	1,488
Retained profit for the financial year	1,018
At end of year	2,506

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Goodwill write off reserve £'000	Total share- holders' funds £'000
At 31 July 2000	1	2,356	1,442	(266)	3,533
Prior year adjustment	-	-	46	-	46
At 31 July 2000 as restated	1	2,356	1,488	(266)	3,579
Profit for the year	-	-	1,018	-	1,018
At 31 July 2001	1	2,356	2,506	(266)	4,597

The cumulative goodwill written off against reserves is £266,000.

15. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001 £'000	2000 £'000
Operating profit	1,250	1,101
Depreciation	69	70
Increase in debtors	(9,005)	(5,967)
Increase in creditors	8,840	5,118
(Profit)/loss on sales of fixed assets	(9)	6
Net cash inflow from operating activities	1,145	328

NOTES TO THE ACCOUNTS

at 31 July 2001

15. NOTES TO THE CASH FLOW STATEMENT (continued)

(b) Analysis of cash flows for headings netted in the statement of cash flows

	2001 £'000	2000 £'000
Capital expenditure and financial investment:		
Payments to acquire tangible fixed assets	(57)	(148)
Receipts from sales of fixed assets	42	20
	<u>(15)</u>	<u>(128)</u>

(c) Reconciliation of net cash flow to movement in net debt

	2001 £'000	2000 £'000
Increase/(decrease) in cash	944	(571)
Cash inflow from increases in loans	(8,315)	(4,939)
Movement in net debt	<u>(7,371)</u>	<u>(5,510)</u>
Net debt at 1 August 2000/1999	(26,129)	(20,619)
Net debt at 31 July 2001/2000	<u>(33,500)</u>	<u>(26,129)</u>

(d) Analysis of changes in net debt.

	At 31 July 2000 £'000	Cash flows £'000	At 31 July 2001 £'000
Cash in hand, at bank	312	944	1,256
Debt due within one year	(26,441)	(8,315)	(34,756)
Debt due after more than one year	-	-	-
	<u>(26,129)</u>	<u>(7,371)</u>	<u>(33,500)</u>

16. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

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

	2001 £'000	2000 £'000
Land and buildings		
Leases expiring:		
Between two and five years	26	26
	<u>26</u>	<u>26</u>

NOTES TO THE ACCOUNTS

at 31 July 2001

17. RELATED PARTIES

With effect from 21 August 1996, the company's immediate parent became Close Asset Finance Limited, a company registered in England and Wales. The company brokers business to its parent undertaking. The value of these transactions in the year amounts to £7,500 (2000 - £60,500).

The company is funded through Close Brothers Limited. Balances outstanding at year end and interest thereon can be found in notes 4 and 10.

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 2001 was £21 million (2000 - £16 million).

19. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts 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 Asset Finance Limited, registered in England and Wales. Copies of the accounts of both Close Brothers Group plc and Close Brothers Limited may be obtained from 10 Crown Place, London EC2A 4FT.