

Surrey Asset Finance Limited

Registered No. 2740386

DIRECTORS

D G Hardisty (Chairman))
I McDonald)
R H Stone) 'A' Directors
P E Curtis)

B Bannayi (Managing))
D J Dine) 'B' Directors
G DeVries)
R A Aust)

SECRETARY

P E Curtis

AUDITORS

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

REGISTERED OFFICE

Ernst & Young
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 1999.

RESULTS AND DIVIDENDS

The company's trading profit before taxation amounted to £1,028,327 (1998 - £868,681). The directors paid an interim dividend of £Nil (1998 - £Nil) and recommend a final dividend of £350,200 (1998 - £Nil), leaving a retained profit of £319,878.

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.

FIXED ASSETS

Movements in fixed assets are fully described in note 7 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors during the year were as follows:

D G Hardisty (Chairman)
I McDonald
R H Stone
P E Curtis
B Bannayi (Managing)
D J Dine
G DeVries
R A Aust

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:

	<i>31 July 1999</i>	<i>31 July 1998</i>
B Bannayi	61	61
D J Dine	61	61
G DeVries	55	55

R A Aust was appointed a director on 1 August 1998.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The company maintained directors' and officers' liability insurance throughout the year.

SUPPLIER PAYMENTS POLICY

Our policy is to pay all supplier invoices within 30 days of the invoice date (or as otherwise agreed).

DIRECTORS' REPORT

YEAR 2000

Under the direction of a nominated project leader, we have completed a detailed review of the potential risks to our business of a Year 2000 failure.

In conjunction with our parent company, we have conducted a review incorporating comprehensive checks of our data processing and telecommunications systems, as well as reviewing and seeking assurances from our major and critical suppliers. Substantial time has been spent on Year 2000 projects this year, although incremental costs have not been significant.

We are well advanced in our preparations for the Year 2000 and are confident of being .

AUDITORS

A resolution to reappoint Ernst & Young 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
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 6 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

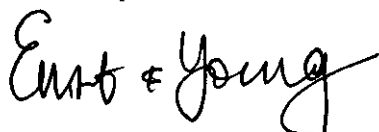
Basis of opinion

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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
London

23 September 1999

Surrey Asset Finance Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 July 1999

	<i>Notes</i>	<i>1999</i> £	<i>1998</i> £
TURNOVER	2	10,361,152	7,156,786
Operating costs		(7,942,852)	(5,240,167)
Other income	3	15,887	22,228
Interest payable and similar charges	4	(1,405,860)	(1,070,166)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,028,327	868,681
Taxation	6	(358,249)	(351,622)
PROFIT FOR THE FINANCIAL PERIOD		670,078	517,059
Dividend		(350,200)	–
RETAINED PROFIT		319,878	517,059
RETAINED PROFIT BROUGHT FORWARD		769,880	252,821
RETAINED PROFIT CARRIED FORWARD	12	1,089,758	769,880

The company had no recognised gains or losses during either period other than those reported in the profit and loss account. Accordingly, no statement of recognised gains and losses is presented.

Surrey Asset Finance Limited

BALANCE SHEET

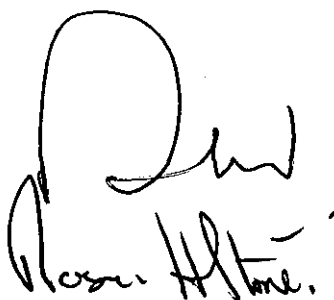
at 31 July 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	7	129,572	158,840
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	7,884,129	5,108,363
- amounts falling due after more than one year	8	17,556,791	14,851,159
Cash at bank and in hand		883,172	1,052,693
		26,324,092	21,012,215
CREDITORS: amounts falling due within one year	10	(23,272,853)	(18,310,122)
NET CURRENT ASSETS		3,051,239	2,702,093
TOTAL ASSETS LESS CURRENT LIABILITIES		3,180,811	2,860,933
		3,180,811	2,860,933
CAPITAL AND RESERVES			
Called up share capital	11	1,030	1,030
Share premium account	12	2,356,690	2,356,690
Profit and loss account	12	1,089,758	769,880
Goodwill write-off reserve	12	(266,667)	(266,667)
SHAREHOLDERS' FUNDS - Equity	12	3,180,811	2,860,933

The accounts were approved by the board
on

Director

Director



Surrey Asset Finance Limited

CASH FLOW STATEMENT

for the year ended 31 July 1999

RECONCILIATION OF PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Notes	1999 £	1998 £
Profit on ordinary activities before taxation		1,028,327	868,681
Depreciation		59,861	47,782
Increase in debtors		(5,481,398)	(8,637,814)
Increase in creditors		4,771,723	7,358,210
Profit on sale of fixed assets		–	(1,745)
Net cash inflow/(outflow) from operating activities		378,513	(364,886)

CASH FLOW STATEMENT

Net cash inflow/(outflow) from operating activities		378,513	(364,886)
Taxation		(517,441)	(40,265)
Capital expenditure	13	(30,593)	(94,226)
		(169,521)	(499,377)
Equity dividends paid		–	–
		(169,521)	(499,377)
Financing	13	–	1,014,750
(DECREASE)/INCREASE IN CASH	13	(169,521)	515,373

NOTES TO THE ACCOUNTS
at 31 July 1999

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

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:

Furniture, fittings and equipment	-	25% per annum
Motor vehicles	-	25% per annum
Computer equipment	-	33% 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.

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

Provision is made for deferred taxation using the liability method on all timing differences to the extent that it is probable that the liability will crystallise.

Pensions

The company operates an arrangement whereby defined contributions are made into private schemes on behalf of the company's directors.

NOTES TO THE ACCOUNTS
at 31 July 1999

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:

	1999 £	1998 £
Hire purchase	4,389,731	3,305,098
Lease finance	5,352,592	3,349,152
Other income	618,829	502,536
	<u>10,361,152</u>	<u>7,156,786</u>

3. **OTHER INCOME**

	1999 £	1998 £
Bank interest	<u>15,887</u>	<u>22,228</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.

	1999 £	1998 £
Hire purchase interest	—	—
Bank loans and overdrafts	1,405,860	1,070,166
	<u>1,405,860</u>	<u>1,070,166</u>
Of which interest payable to group undertakings	<u>1,405,860</u>	<u>1,070,166</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1999

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	1999 £	1998 £
Auditors' remuneration:		
- as auditors	6,550	7,000
- other services	4,835	4,220
Depreciation of owned tangible fixed assets	59,861	47,782
Staff costs including executive directors:		
Wages and salaries	489,933	404,487
Social security costs	58,645	55,571
Other pension costs	37,865	32,783
(Profit)/loss on disposal of fixed assets	-	(1,745)
	<u> </u>	<u> </u>

(b) Directors' remuneration:

	1999 £	1998 £
Emoluments	460,688	355,640
Company contributions paid to money purchase pension schemes	35,896	27,285
	<u> </u>	<u> </u>
Members of money purchase pension schemes	4	3
The amounts in respect of the highest paid director are:		
	£	£
Emoluments	132,082	122,304
	<u> </u>	<u> </u>
Company contributions paid to money purchase pension schemes	9,932	9,095
	<u> </u>	<u> </u>

(c) Employee numbers:

The average number of employees during the year was:

	1999 No.	1998 No.
Office and management	5	5
Sales and collections	2	1
	<u> </u>	<u> </u>
	7	6
	<u> </u>	<u> </u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1999

6. TAXATION

	1999 £	1998 £
UK corporation tax at 30.67% (1998 - 31.0%)	377,574	433,476
Deferred taxation	-	(77,076)
Adjustments in respect of prior years - corporation tax (over)/underprovided	(19,325)	(4,778)
	<u>358,249</u>	<u>351,622</u>

7. FIXED ASSETS

	<i>Motor vehicles</i> £	<i>Fixtures and fittings</i> £	<i>Total</i> £
Cost:			
At 1 July 1998	166,940	43,290	210,230
Additions	19,750	10,843	30,593
Disposals	-	-	-
At 31 July 1999	<u>186,690</u>	<u>54,133</u>	<u>240,823</u>
Depreciation:			
At 1 July 1998	39,495	11,895	51,390
Disposals	-	-	-
Charge for year	46,672	13,189	59,861
At 31 July 1999	<u>86,167</u>	<u>25,084</u>	<u>111,251</u>
Net book value:			
At 31 July 1999	<u>100,523</u>	<u>29,049</u>	<u>129,572</u>
At 31 July 1998	<u>127,445</u>	<u>31,395</u>	<u>158,840</u>

NOTES TO THE ACCOUNTS

at 31 July 1999

8. DEBTORS

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	1999	1998	1999	1998
	£	£	£	£
Finance receivables	7,635,274	4,976,079	17,556,791	14,851,159
Prepayments	12,474	33,757	—	—
Other debtors	236,381	98,527	—	—
	<u>7,884,129</u>	<u>5,108,363</u>	<u>17,556,791</u>	<u>14,851,159</u>

Included in finance receivables are the following amounts:

	1999	1999	1999	1998
	<i>Gross</i>	<i>Unearned</i>	<i>Net</i>	<i>Net</i>
	£	charges	£	£
HP agreements:				
within one year	4,342,141	1,064,561	3,277,580	2,696,928
after one year	7,896,643	984,375	6,912,268	7,642,488
	<u>12,238,784</u>	<u>2,048,936</u>	<u>10,189,848</u>	<u>10,339,416</u>
Finance leases:				
within one year	5,921,272	1,563,578	4,357,694	2,279,151
after one year	12,487,834	1,843,311	10,644,523	7,208,671
	<u>18,409,106</u>	<u>3,406,889</u>	<u>15,002,217</u>	<u>9,487,822</u>
Total:				
Within one year	10,263,413	2,628,139	7,635,274	4,976,079
After one year	20,384,477	2,827,686	17,556,791	14,851,159
	<u>30,647,890</u>	<u>5,455,825</u>	<u>25,192,065</u>	<u>19,827,238</u>

9. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 1999 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £42,225,637 (1998 - £25,170,086).

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1999

10. CREDITORS - amounts falling due within one year

	1999 £	1998 £
Trade creditors	1,349,782	94,793
Amounts due to parent undertaking	21,502,644	17,709,235
Current corporation tax	261,216	420,408
Other taxes and social security costs	43,579	33,030
Accruals and deferred income	115,632	52,656
	<u>23,272,853</u>	<u>18,310,122</u>

11. CALLED UP SHARE CAPITAL

	1999 £	1998 £
Authorised:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	78,904	78,904
Ordinary 'B' shares of £1 each	21,096	21,096
	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	814	814
Ordinary 'B' shares of £1 each	216	216
	<u>1,030</u>	<u>1,030</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Profit and loss account £	Goodwill write-off reserve £	Total shareholders' funds £
At 1 July 1997	786	1,342,184	252,821	(266,667)	1,329,124
Proceeds from issue of shares	244	1,014,506	-	-	1,014,750
Share issue expenses	-	-	-	-	-
Profit for the period	-	-	517,059	-	517,059
Dividend	-	-	-	-	-
Goodwill write off	-	-	-	-	-
At 31 July 1998	1,030	2,356,690	769,880	(266,667)	2,860,933
Proceeds from issue of shares	-	-	-	-	-
Share issue expenses	-	-	-	-	-
Profit for the period	-	-	670,078	-	670,078
Dividend	-	-	(350,200)	-	(350,200)
Goodwill write off	-	-	-	-	-
At 31 July 1999	1,030	2,356,690	1,089,758	(266,667)	3,180,811

The cumulative goodwill written off against reserves is £266,667

NOTES TO THE ACCOUNTS

at 31 July 1999

13. NOTES TO THE CASH FLOW STATEMENT

	1999 £	1998 £	
Capital expenditure:			
Payments to acquire tangible fixed assets	(30,593)	(146,326)	
Receipts from sales of fixed assets	—	52,100	
	<u>(30,593)</u>	<u>(94,226)</u>	
Financing:			
Issue of ordinary share capital	—	1,014,750	
Expenses paid in connection with share issues	—	—	
	<u>—</u>	<u>1,014,750</u>	
Analysis of changes in net debt:			
	<i>At 31 July 1998 £</i>	<i>Cash flows £</i>	<i>At 31 July 1999 £</i>
Cash in hand, at bank	1,052,693	(169,521)	883,172
Debt due within one year	(17,709,235)	(3,793,409)	(21,502,644)
Debt due after more than one year	—	—	—
	<u>(16,656,542)</u>	<u>(3,962,930)</u>	<u>(20,619,472)</u>

14. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

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

	1999 £	1998 £
Land and buildings		
Leases expiring:		
Within one year	—	—
Between two and five years	26,250	26,250
	<u>26,250</u>	<u>26,250</u>

15. 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. It has included the company in its group accounts, copies of which are available from its registered office. The company brokers business to its parent undertaking. The value of these transactions in the year amounts to £41,400 (1998 - £86,300).

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

16. 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 1999 was £12 million (1998 - £9 million).

NOTES TO THE ACCOUNTS
at 31 July 1999

17. 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 Asset Finance Limited may be obtained from 12 Appold Street, London EC2A 2AA.