

# Surrey Asset Finance Limited

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Registered No. 2740386

## **DIRECTORS**

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

B Bannayi )  
D J Dine ) 'B' Directors  
G DeVries )

## **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 13 months ended 31 July 1997.

### RESULTS AND DIVIDENDS

The company's trading profit before taxation amounted to £383,663 (1996 - £205,763). The directors paid an interim dividend of £63,500 (1996 - £Nil) and recommend a final dividend of £Nil (1996 - £112,467), leaving a retained profit of £195,086.

### 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) (appointed 21 August 1996)  
I McDonald (appointed 21 August 1996)  
R H Stone (appointed 21 August 1996)  
P E Curtis (appointed 21 August 1996)  
B Bannayi  
D J Dine  
G DeVries (appointed 21 August 1996)

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</i> <i>1997</i>	<i>30 June</i> <i>1996</i>
B Bannayi	55	110
D J Dine	55	110
G De Vries	55	-

### 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).

### ACCOUNTING REFERENCE DATE

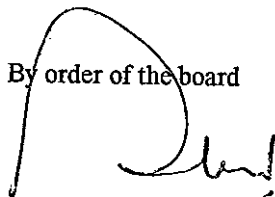
On 21 August 1996 the company changed its accounting reference date from 30 June to 31 July, to coincide with that of its parent undertaking.

DIRECTORS' REPORT

**AUDITORS**

Ernst & Young were appointed as auditors on 21 August 1996 and a resolution to re-appoint them as auditors will be put to the members at the Annual General Meeting.

By order of the board



Director

25th September 1997

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 17, 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.

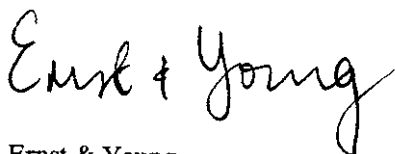
**Basis of opinion**

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 1997 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Chartered Accountants  
Registered Auditor  
London

25 September 1997

# Surrey Asset Finance Limited

## PROFIT AND LOSS ACCOUNT for the 13 months ended 31 July 1997

		<i>13 months ended 31 July 1997 £</i>	<i>12 months ended 30 June 1996 £</i>
	<i>Notes</i>		
TURNOVER	2	2,903,401	363,763
Operating costs		(2,239,392)	(152,475)
Other income	3	6,623	81
Interest payable and similar charges	4	(286,969)	(5,606)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	383,663	205,763
Taxation	6	(125,077)	(49,353)
PROFIT FOR THE FINANCIAL PERIOD		258,586	156,410
Dividend		(63,500)	(112,467)
RETAINED PROFIT		195,086	43,943
RETAINED PROFIT BROUGHT FORWARD		57,735	13,792
RETAINED PROFIT CARRIED FORWARD	15	252,821	57,735

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.

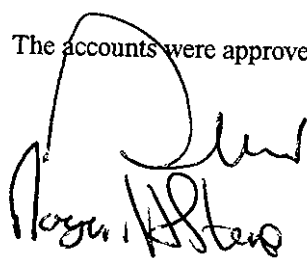
# Surrey Asset Finance Limited

## BALANCE SHEET

at 31 July 1997

	Notes	31 July 1997 £	30 June 1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	110,651	108,044
Investments	8	-	4,200
		<u>110,651</u>	<u>112,244</u>
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	9	2,919,157	95,839
- amounts falling due after more than one year	9	8,402,551	34,077
Cash at bank and in hand		537,320	14,857
		<u>11,859,028</u>	<u>144,773</u>
CREDITORS: amounts falling due within one year	11	(10,563,479)	(105,173)
		<u>1,295,549</u>	<u>39,600</u>
<b>NET CURRENT ASSETS</b>			
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,406,200</u>	<u>151,844</u>
CREDITORS: amounts falling due after more than one year	12	-	(93,889)
		<u>1,406,200</u>	<u>57,955</u>
<b>PROVISION FOR LIABILITIES AND CHARGES</b>			
	13	(77,076)	-
		<u>1,329,124</u>	<u>57,955</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	786	220
Share premium account	15	1,342,184	-
Profit and loss account	15	252,821	57,735
Goodwill write-off reserve	15	(266,667)	-
		<u>1,329,124</u>	<u>57,955</u>
<b>SHAREHOLDERS' FUNDS - Equity</b>			
	15	<u>1,329,124</u>	<u>57,955</u>

The accounts were approved by the board on 25th September 1997



Director

Director

# Surrey Asset Finance Limited

## CASH FLOW STATEMENT for the period ended 31 July 1997

### Reconciliation of operating profit to net cash inflow from operating activities

	<i>13 months ended 31 July 1997</i>	<i>12 months ended 30 June 1996</i>
<i>Note</i>	<i>£</i>	<i>£</i>
Operating profit	383,663	211,288
Depreciation	33,442	18,281
Increase in debtors	(11,191,792)	(90,913)
Increase in creditors	10,350,442	79,738
Loss/(profit) on sale of fixed assets	89	(6,393)
Net cash (outflow)/inflow from operating activities	<u>(424,156)</u>	<u>212,001</u>
<b>CASH FLOW STATEMENT</b>		
Net cash outflow from operating activities	(424,156)	212,001
Returns on investments and servicing of finance	-	(5,588)
Taxation	(34,026)	(18,903)
Capital expenditure	16 (31,938)	(66,076)
Equity dividends paid	(490,120)	121,434
	(63,500)	(112,467)
Financing	(553,620)	8,967
	16 1,076,083	-
INCREASE IN CASH	<u>16 522,463</u>	<u>8,967</u>



NOTES TO THE ACCOUNTS

at 31 July 1997

1. ACCOUNTING POLICIES

*Accounting convention*

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

*Goodwill*

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, is written off to reserves in the year of acquisition.

*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.

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS

at 31 July 1997

### 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:

	<i>13 months ended 31 July 1997 £</i>	<i>12 months ended 30 June 1996 £</i>
Hire purchase	1,095,547	18,203
Lease finance	1,335,014	22,560
Other income	472,840	323,000
	<u>2,903,401</u>	<u>363,763</u>

### 3. OTHER INCOME

	<i>13 months ended 31 July 1997 £</i>	<i>12 months ended 30 June 1996 £</i>
Bank interest	6,623	81

### 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.

	<i>13 months ended 31 July 1997 £</i>	<i>12 months ended 30 June 1996 £</i>
Hire purchase interest	3,867	5,606
Bank loans and overdrafts	283,102	-
	<u>286,969</u>	<u>5,606</u>
Of which interest payable to group undertakings	<u>269,469</u>	<u>-</u>

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS

at 31 July 1997

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	<i>13 months ended 31 July 1997 £</i>	<i>12 months ended 30 June 1996 £</i>
Auditors' remuneration	6,500	2,000
Depreciation of owned tangible fixed assets	33,442	1,998
Depreciation of tangible fixed assets held under hire purchase contracts	-	16,283
Staff costs including executive directors:		
Wages and salaries	342,011	80,000
Social security costs	43,966	19,038
Other pension costs	27,544	4,000
Loss/(profit) on disposal of fixed assets	88	(6,393)
	<u>          </u>	<u>          </u>

(b) Directors' remuneration:

Fees	-	-
Remuneration, including pension contributions	300,070	19,039
	<u>300,070</u>	<u>19,039</u>

(c) Employee numbers:

The average number of employees during the year was:

	<i>1997 No.</i>	<i>1996 No.</i>
Office and management	5	4
Sales and collections	1	-
	<u>6</u>	<u>4</u>

### 6. TAXATION

	<i>1997 £</i>	<i>1996 £</i>
UK corporation tax at 32.3% (1996 - 33%)	47,850	49,353
Deferred taxation	77,076	-
Adjustments in respect of prior years		
- corporation tax underprovided	151	-
	<u>125,077</u>	<u>49,353</u>

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS at 31 July 1997

### 7. FIXED ASSETS

	<i>Motor vehicles £</i>	<i>Fixtures and fittings £</i>	<i>Total £</i>
Cost:			
At 1 July 1996			
Additions	120,322	8,570	128,892
Disposals	70,150	5,489	75,639
	(50,610)	-	(50,610)
At 31 July 1997	139,862	14,059	153,921
Depreciation:			
At 1 July 1996			
Disposals	19,940	908	20,848
Charge for year	(11,020)	-	(11,020)
	30,538	2,904	33,442
At 31 July 1997	39,458	3,812	43,270
Net book value:			
At 31 July 1997	100,404	10,247	110,651
At 30 June 1996	100,382	7,662	108,044

The net book value of motor vehicles includes £nil (1996 - £94,130) in respect of assets held under hire purchase contracts.

### 8. INVESTMENTS

	<i>1997 £</i>	<i>1996 £</i>
Investment - other	-	4,200

On 21 August 1996, the company acquired the business of Guy DeVries for a consideration of £266,667 which was settled by the issue of 110 ordinary shares in the company (see note 14). The fair value of the net assets acquired at that date was Nil resulting in goodwill of £266,667 (see note 15).

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS at 31 July 1997

### 9. DEBTORS

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	1997	1996	1997	1996
	£	£	£	£
Finance receivables	2,576,156	57,108	8,402,551	26,375
Prepayments	17,215	2,012	-	-
Other debtors	325,786	36,719	-	7,702
	<u>2,919,157</u>	<u>95,839</u>	<u>8,402,551</u>	<u>34,077</u>

Included in finance receivable are the following amounts:

	1997	1997	1997	1996
	<i>Gross</i>	<i>Unearned</i>	<i>Net</i>	<i>Net</i>
	£	charges	£	£
H P agreements:				
within one year	2,481,909	759,427	1,722,482	12,093
after one year	5,895,115	999,891	4,895,224	11,500
	<u>8,377,024</u>	<u>1,759,318</u>	<u>6,617,706</u>	<u>23,593</u>
Finance leases:				
within one year	1,353,735	500,061	853,674	45,015
after one year	4,317,610	810,283	3,507,327	14,875
	<u>5,671,345</u>	<u>1,310,344</u>	<u>4,361,001</u>	<u>59,890</u>
Total:				
Within one year	3,835,644	1,259,488	2,576,156	57,108
After one year	10,212,725	1,810,174	8,402,551	26,375
	<u>14,048,369</u>	<u>3,069,662</u>	<u>10,978,707</u>	<u>83,483</u>

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS

at 31 July 1997

### 10. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 1997 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £12,520,983 (1996 - £94,310).

### 11. CREDITORS - amounts falling due within one year

	1997 £	1996 £
Trade creditors	1,308,787	1,914
Amounts due to parent undertaking	9,169,470	-
Current corporation tax	31,975	18,000
Other taxes and social security costs	18,522	-
Accruals and deferred income	34,725	7,897
Other creditors	-	27,251
Hire purchase contracts	-	50,111
	<u>10,563,479</u>	<u>105,173</u>

### 12. CREDITORS - amounts falling due after more than one year

	1997 £	1996 £
Hire purchase contracts (repayable within two to five years)	-	93,889
	<u>-</u>	<u>93,889</u>

### 13. PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation provided in the accounts and the amounts not provided are made up as follows:

	Provided		Not provided	
	1997 £	1996 £	1997 £	1996 £
Capital allowances	85,622	-	-	-
Short term and other timing differences	(8,546)	-	-	-
	<u>77,076</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS

at 31 July 1997

### 14. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
Ordinary shares of £1 each	-	100,000
Ordinary 'A' shares of £1 each	78,904	-
Ordinary 'B' shares of £1 each	21,096	-
	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid:		
Ordinary shares of £1 each	-	220
Ordinary 'A' shares of £1 each	621	-
Ordinary 'B' shares of £1 each	165	-
	<u>786</u>	<u>220</u>

110 ordinary shares were issued during the period as consideration for the acquisition of the business of Guy DeVries (refer note 8).

456 ordinary shares were issued during the period in order to facilitate the acquisition of the company by Close Asset Finance Limited.

On 21 August 1996, the company's Articles of Association were changed converting the ordinary shares to 'A' and 'B' shares as shown above. The 'A' and 'B' shares convey identical rights to the owner and rank pari passu on winding up.

### 15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium £	Profit and loss account £	Goodwill write-off reserve £	Total shareholders' funds £
At 1 July 1996	110	-	13,792	-	13,902
Proceeds from issue of shares	110	-	-	-	110
Profit for the year	-	-	156,410	-	156,410
Dividend	-	-	(112,467)	-	(112,467)
At 30 June 1996	220	-	57,735	-	57,955
Proceeds from issue of shares	566	1,371,559	-	-	1,372,125
Share issue expenses	-	(29,375)	-	-	(29,375)
Profit for the period	-	-	258,586	-	258,586
Dividend	-	-	(63,500)	-	(63,500)
Goodwill write off	-	-	-	(266,667)	(266,667)
	<u>786</u>	<u>1,342,184</u>	<u>252,821</u>	<u>(266,667)</u>	<u>1,329,124</u>

# Surrey Asset Finance Limited

## NOTES TO THE ACCOUNTS at 31 July 1997

### 16. NOTES TO THE CASH FLOW STATEMENT

	1997 £	1996 £	
<b>Capital expenditure:</b>			
Payments to acquire tangible fixed assets	(75,639)	(121,380)	
Receipts from sales of fixed assets	43,701	55,304	
	<u>(31,938)</u>	<u>(66,076)</u>	
<b>Financing:</b>			
Issue of ordinary share capital	1,105,458	-	
Expenses paid in connection with share issues	(29,375)	-	
	<u>1,076,083</u>	<u>-</u>	
<b>Analysis of changes in net debt:</b>			
	<i>At 1 July 1996 £</i>	<i>Cash flows £</i>	<i>At 31 July 1997 £</i>
Cash in hand, at bank	14,857	522,463	537,320
Debt due within one year	(50,111)	(9,119,359)	(9,169,470)
Debt due after more than one year	(93,889)	93,889	-
	<u>(129,143)</u>	<u>(8,503,007)</u>	<u>(8,632,150)</u>

### 17. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

	1997 £	1996 £
The minimum annual commitment under non cancellable operating leases was as follows:		
Land and buildings		
Leases expiring:		
Within one year	24,000	-
Between two and five years	-	-
After five years	-	-
	<u>24,000</u>	<u>-</u>



NOTES TO THE ACCOUNTS

at 31 July 1997

**18. RELATED PARTIES**

On 21 August 1996, the company acquired the business of Guy DeVries, who became a director of the company at that date. The consideration, of £266,667, was settled through the issue of 110 ordinary shares in the company (see note 14). The fair value of the net assets acquired at that date was nil. In accordance with company accounting policy, goodwill of £266,667 has been written off to reserves (see note 15).

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 since the date of acquisition amounts to £155,800.

The company lease premises from one of the directors, Basil Bannayi, under an annual agreement with a one month notice period. Rent charged to the current period profit and loss accounts in respect of this transaction amounted to £14,645.

The company is funded through Close Brothers Limited. Balances outstanding at year end and interest thereon can be found in notes 4 and 11 respectively.

**19. INTEREST RATE CONTRACTS**

Interest rate contracts are entered into for hedging purposes. The contract amount at 31 July 1997 was £4 million.

**20. 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 12 Appold Street, London EC2A 2AA.