

Registered No 02740386

# **Surrey Asset Finance Limited**

## **Annual report and financial statements**

For the year ended 31 July 2013

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## **Surrey Asset Finance Limited**

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Registered No 02740386

### **Directors**

N J Price  
J S Wolvaardt

### **Auditors**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London

### **Bankers**

HSBC Bank PLC  
38 High Street  
Dartford  
Kent  
DA1 1DG

### **Registered Office**

Tolworth Tower  
Ewell Road  
Surbiton  
Surrey KT6 7EL

## Directors' report

The Directors present their annual report together with the financial statements and auditor's report for the year ended 31 July 2013

### Principal activities and review of the business

The company is a wholly owned subsidiary of Close Brothers Group plc (CBG) and operates as part of CBG's Banking division. Its immediate parent company is Close Brothers Limited (CBL).

On 31 December 2012, the company's trade and net assets were transferred to Close Brothers Limited by way of an intercompany transfer. The company has not traded since that date and accordingly, the accounts are prepared on a basis other than that of a going concern.

### Results and dividends

The company's trading loss before taxation amounted to £59,000 (2012 - £1,869,000 profit). No dividends (2012 - £nil) were declared or paid during the year.

Key performance indicators for the company are

	2013	2012
	£'000	£'000
Loan book including fixed assets held for operating leases	-	2,002
(Loss) / Profit before tax	(59)	1,869

The company did not write new business and was operating on its existing portfolio which was in run off. Profit before tax has decreased by 103% to loss compared to 31 July 2012 due to minimal trade activity and the loan book nearing run-off due to the transfer of trade to CBL on 31 December 2012.

### Principal risk management objectives and policies

The company is subject to the risk management process of its ultimate parent company, CBG. These processes are described in CBG's Annual Report. The primary risk management activities undertaken prior to the transfer of trade are set out below.

#### Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and investments.

Credit risk is one of the principal risks the company faces. The credit risk is the risk of loss if another party fails to perform its obligation or fails to perform them in a timely fashion. The company's credit risk is primarily attributable to its trade and finance lease receivables. Credit risk at inception of new lending is controlled by a number of senior managers operating within a framework of delegated underwriting authorities. In addition, arrears and other default-related information are monitored and discussed regularly by directors and other senior managers, and mitigating actions are taken in a timely manner where appropriate. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Liquid funds are deposited with high credit-rated banks and a limit is placed on the total amount of funds on deposit with any one bank at all times.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

## Directors' report

### Reputational risk

Damage to our reputation and competitive pressure are continuing risks for the company. The company mitigates these risks by providing added value services to its customers, having fast response times not only in supplying products and services but in handling all customer queries, and by maintaining strong relationships with customers.

### Price risk

The company lends to customers at fixed rates. The price charged is dependent on the cost of funds the company faces in funding these loans at the point of inception. The company's policy is to match fixed interest rate assets and liabilities. Accordingly the company faces little price risk.

### Liquidity risk

Liquidity risk is the risk of not being able to meet liabilities as they fall due. The company is capitalised at a level required to meet its business and regulatory needs, and where necessary, has appropriate borrowing facilities from CBG. The liquidity of the company is reviewed at its monthly board meeting and the overall funding position is reported to the group board each month.

### Going concern

On 31 December 2012, the company transferred its trade to a fellow group subsidiary and therefore ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

### Corporate Social Responsibility

CBG recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities. The company operates within the group's Corporate Social Responsibility statement, which is described in CBG's Annual Report. Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption.

### Employees

The company does not have any employees. The company's immediate parent, Close Brothers Limited, provides management services to manage the company's business.

### Directors

The directors who served during the year and subsequent to year end, except as noted, were as follows:

N J Price (Appointed 6 December 2012)

J S Wolvaardt (Appointed 6 December 2012)

R A Aust (Resigned 16 January 2013)

B L Bannay (Resigned 16 January 2013)

D J Dine (Resigned 17 January 2013)

## Directors' report

### Directors' Indemnities

CBG's Articles of Association provide that each director and the secretary of each group company shall be indemnified by the company to the extent permissible under UK company law against any costs incurred by them in defending proceedings brought against them arising out of their positions as director or secretary in which they are acquitted or judgement is given in their favour or relief from liability for negligence, default, breach of duty or breach of trust is granted to them by the court

### 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 the supplier at the outset. There are no suppliers' invoices outstanding at the end of the period (2012 - nil)

### Auditors

Each of the persons who is a director at the date of the approval of this report confirms that

- so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they should have taken as directors to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Approved by the Board and signed on its behalf by



N J Price  
Director  
19 September 2013

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 auditor's report**

## **to the members of Surrey Asset Finance Limited**

We have audited the financial statements of Surrey Asset Finance Limited for the year end 31 July 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements that are sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Emphasis of Matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

## **Independent auditor's report**

**to the members of Surrey Asset Finance Limited (continued)**

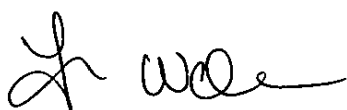
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Fiona Walker (ACA)  
Senior Statutory Auditor  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
London  
United Kingdom  
20 September 2013



## Profit and loss account

for the year ended 31 July 2013

	<i>Notes</i>	<i>2013 £'000</i>	<i>2012 £'000</i>
<b>Turnover</b>	2	129	535
Operating costs		(205)	(69)
<b>Operating (loss) / profit</b>		(76)	466
Other income	3	17	1,403
<b>(Loss) / profit on ordinary activities before taxation</b>	4	(59)	1,869
Taxation	5	20	(607)
<b>(Loss) / profit on ordinary activities after taxation</b>	11	(39)	1,262

The results shown in the profit and loss account derive wholly from discontinued operations

The statement of movement on reserves is shown in note 11 to the financial statements

The Company has no recognised gains or losses for the year other than the results above and therefore no separate statement of recognised gains and losses has been presented

# Surrey Asset Finance Limited

Registered No 02740386

## Balance sheet

at 31 July 2013

	Notes	2013 £'000	2012 £'000
<b>Current assets</b>			
Debtors - amounts falling due within one year	6	4,833	10,250
- amounts falling due after more than one year	6	-	402
Cash at bank and in hand		-	21
		<u>4,833</u>	<u>10,673</u>
<b>Creditors: amounts falling due within one year</b>	9	-	(5,801)
		<u>4,833</u>	<u>4,872</u>
<b>Net current assets</b>		<u>4,833</u>	<u>4,872</u>
<b>Net assets</b>		<u>4,833</u>	<u>4,872</u>
<b>Capital and reserves</b>			
Called up share capital	10, 11	1	1
Share premium account	11	2,356	2,356
Profit and loss account	11	2,476	2,515
		<u>4,833</u>	<u>4,872</u>
<b>Equity Shareholders' funds</b>	11	<u>4,833</u>	<u>4,872</u>

The notes on pages 10 to 16 form part of these financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2013 and signed on its behalf by



N J Price  
Director  
19 September 2013

## Notes to the financial statements

for the year ended 31 July 2013

### 1. Accounting policies

#### Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom generally accepted accounting standards and the SORP 'Accounting issues in the asset finance and leasing industry' issued by the Finance and Leasing Association

#### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and positions are set out in the business review on page 2. The Directors' report on page 2 – 4 describes the results, key performance indicators, financial risk management objectives and its exposures to credit risk, liquidity risk and market risk.

The company did not write new business and was operating on its existing portfolio which was in run off. The company is capitalised at a level required to meet its business and regulatory needs, and where necessary, has appropriate borrowing facilities from Close Brothers Group plc, the ultimate holding Company.

On 31 December 2012, the company transferred its trade to a fellow group subsidiary and therefore ceased trading. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis.

#### Finance leases and hire purchase

A finance lease is a lease or hire purchase contract that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Finance leases are recognised as loans at an amount equal to the gross investment in the lease discounted at its implicit interest rate. Finance charges on finance leases are taken to profit and loss account in proportion to the net funds invested.

Rental costs under other leases and hire purchase contracts are charged to the profit and loss account in equal annual amounts over the period of the leases.

#### Provisions

Finance receivables 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.

#### Documentation fees and commissions

Documentation fees receivable and commissions payable relating to loans and leases are deferred and recognised in the profit and loss account over the term of the loan or lease, in line with interest income.

#### Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

## Notes to the financial statements

for the year ended 31 July 2013

### 1. Accounting policies (continued)

#### Interest payable and similar charges

Interest payable comprises interest charged on bank loans, overdrafts and other loans

#### 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 statement

The company has taken advantage of the exemption within FRS1 (Revised 1996) for 90% or more owned subsidiaries. Accordingly, it has not presented a cash flow statement

### 2. Turnover

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

The analysis of turnover is as follows

	2013	2012
	£'000	£'000
Hire purchase	43	303
Lease finance	11	143
Other income	75	89
	<u>129</u>	<u>535</u>

### 3. Other income

	2013	2012
	£'000	£'000
Recoverable Bad Debt	17	1,403
	<u>17</u>	<u>1,403</u>

## Notes to the financial statements

for the year ended 31 July 2013

### 4. (Loss) / Profit on ordinary activities before taxation

This is stated after charging

	2013	2012
	£'000	£'000
Management recharge	2	8

The company does not have any employees (2012 - none) All staff costs and directors' remuneration were being borne by Close Asset Finance Limited, which provided a management service to the company

Auditor's remuneration costs are borne by Close Brothers Limited, the holding company Audit fees attributable to Surrey Asset Finance Limited were £6,000 (2012 £6,000)

### 5. Taxation on (loss) / profit on ordinary activities

(a) Analysis of (credit) / charge in the year

	2013	2012
	£'000	£'000
<i>Current Tax</i>		
UK corporation tax	(20)	73
Tax over provided in prior years	-	(130)
Total current tax (note 5(b))	(20)	(57)
<i>Deferred Tax</i>		
Deferred tax – current year	-	537
Deferred tax – prior year	-	127
Total deferred tax (note 8)	-	664
Tax on (loss) / profit on ordinary activities	(20)	607

## Notes to the financial statements

for the year ended 31 July 2013

### 5. Taxation on (loss) / profit on ordinary activities (continued)

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the blended rate of corporation tax in the UK of 23.67% (2012 - 25.33%). The differences are reconciled below

	2013 £'000	2012 £'000
Profit / (loss) before tax	(59)	1,869
Corporation tax at 23.67% (2012 - 25.33%)	(14)	473
Capital allowances in excess of depreciation	-	(398)
Movement in non - deductible specific provision	-	(2)
Tax under / (over) provided in prior years	(6)	(130)
Corporation tax credit (note 6(a))	(20)	(57)

### 6. Debtors

	Amounts falling due within one year		Amounts falling due after more than one year	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Finance receivables	-	1,600	-	402
Prepayments	-	8	-	-
Other debtors	-	952	-	-
Deferred tax	-	1,632	-	-
Other taxes and social security costs	-	604	-	-
Amounts due from group undertakings	4,833	5,454	-	-
	4,833	10,250	-	402

## Notes to the financial statements

for the year ended 31 July 2013

### 6. Debtors (continued)

Included in finance receivables are the following amounts

	<i>Gross</i>	<i>Unearned</i>	<i>Net</i>	<i>Net</i>
	<i>2013</i>	<i>charges</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>2013</i>	<i>£'000</i>	<i>£'000</i>
		<i>£'000</i>		
HP agreements				
within one year	-	-	-	1,142
after one year	-	-	-	389
	-	-	-	1,531
Finance leases				
within one year	-	-	-	452
after one year	-	-	-	13
	-	-	-	465
Regulated loans				
within one year	-	-	-	6
after one year	-	-	-	-
	-	-	-	6
Total				
within one year	-	-	-	1,600
after one year	-	-	-	402
	-	-	-	2,002

### 7. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2013 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £nil (2012 - £13,643,484)

## Notes to the financial statements

for the year ended 31 July 2013

### 8. Deferred taxation

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total deferred tax asset	-	1,624	-	8	-	1,632
Movement in the year						
Asset at 1 August 2012						<i>£'000</i> 1,632
Intercompany transfer						(1,632)
Asset at 31 July 2013						-

### 9. Creditors: amounts falling due within one year

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Trade creditors	-	10
Amounts due to group undertakings	-	3,640
Corporation tax	-	2,144
Accruals and deferred income	-	7
	-	5,801

### 10. Called up share capital

	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>
Authorised		
79,000 Ordinary 'A' shares of £1 each	79	79
21,000 Ordinary 'B' shares of £1 each	21	21
	100	100
Called up, allotted and fully paid		
Ordinary 'A' shares of £1	1	1
	1	1

"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



## Notes to the financial statements

for the year ended 31 July 2013

### 11. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Profit and loss account £'000</i>	<i>Total share- holders' funds £'000</i>
At 1 August 2012	1	2,356	2,515	4,872
Loss for the financial year	-	-	(39)	(39)
At 31 July 2013	1	2,356	2,476	4,833

### 12. 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 100% owned and if group financial statements are publicly available

There are no other related party transactions requiring disclosure

### 13. 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. The immediate parent undertaking is Close Brothers Limited, which is incorporated in Great Britain and registered in England and Wales.