

Registered No 2740386

Surrey Asset Finance Limited

Annual report and financial statements

For the year ended 31 July 2011

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Surrey Asset Finance Limited

Registered No 2740386

Directors

R A Aust
B L Bannay
D J Dine
R H Stone

Secretary

P J Davies - Resigned 9 June 2011

Auditors

Deloitte LLP
Bristol

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 auditors' report for the year ended 31 July 2011

Results and dividends

The company's trading profit before taxation amounted to £410,000 (2010 - £2,281,000) No dividends (2010 - £16,500,000) were declared or paid during the year

Key performance indicators for the company are

	2011	2010
	£'000	£'000
Loan book including fixed assets held for operating leases	5,757	15,488
Profit before tax	410	2,281

The company has ceased writing new business and is operating on its existing portfolio which is in run off

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 Asset Finance Limited (CAF)

The company has ceased writing new business The company will continue to actively manage its existing portfolio in the best interest of its shareholders The directors expect the business to continue to be profitable whilst in run off

Principal risk management objectives and policies

The company is subject to the risk management process of its ultimate parent company, Close Brothers Group plc (CBG) These processes are described on CBG's Annual Report

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

The company has ceased writing new business and is operating on its existing portfolio.

After making enquiries, the directors have a reasonable assurance that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

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 Asset Finance Limited, provides management services to manage the company's business.

Directors

The directors who served during the year, except as noted, were as follows:

R A Aust
B L Bannay
D J Dine
R H Stone

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 supplier at the outset. There are 17 creditor days of suppliers' invoices outstanding at the end of the period (2010 - 6)

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 -



Basil Bannayi
Director
19 September 2011

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, 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 ended 31 July 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 18. 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 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 2011 and of its profit 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.

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



Simon Cleveland (FCA)
Senior statutory auditor
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Bristol
United Kingdom
19 September 2011

Profit and loss account

for the year ended 31 July 2011

	<i>Notes</i>	<i>2011 £'000</i>	<i>2010 £'000</i>
Turnover	2	1,695	4,430
Operating costs		(931)	(949)
Operating profit		<u>764</u>	<u>3,481</u>
Other income	3	-	5
Interest payable and similar charges	4	(354)	(1,205)
Profit on ordinary activities before taxation	5	<u>410</u>	<u>2,281</u>
Taxation	6	(53)	(914)
Profit on ordinary activities after taxation	15	<u><u>357</u></u>	<u><u>1,367</u></u>

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

The statement of movement on reserves is shown in note 15 to the financial statements

There were no recognised gains or losses in the current or preceding year other than the profits disclosed above

Surrey Asset Finance Limited

Registered No 2740386

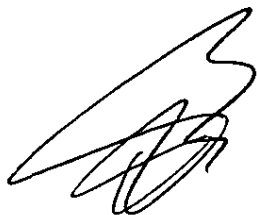
Balance sheet

at 31 July 2011

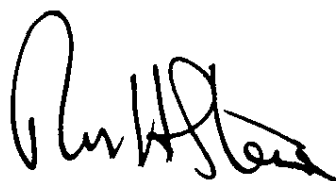
	Notes	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	8	-	19
Investments	9	-	-
		-	19
Current assets			
Debtors - amounts falling due within one year	10	12,926	14,147
- amounts falling due after more than one year	10	1,390	8,390
Cash at bank and in hand		32	-
		14,348	22,537
Creditors: amounts falling due within one year	13	(10,738)	(19,303)
		3,610	3,234
Net current assets		3,610	3,234
Total assets less current liabilities		3,610	3,253
Capital and reserves			
Called up share capital	14	1	1
Share premium account	15	2,356	2,356
Profit and loss account	15	1,253	896
Equity Shareholders' funds	15	3,610	3,253

The notes on pages 10 to 18 form part of these financial statements

The financial statements were approved and authorised for issue by the board on 19 September 2011



Basil Bannayi
Director
19 September 2011



Roger Stone
Director
19 September 2011

Notes to the financial statements

for the year ended 31 July 2011

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

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.

Turnover

Turnover from operating leases and finance leases is recognised in accordance with the company's policies on leases and finance leases (see below). Rental income from operating leases is credited to the income statement on a receivable basis over the term of the lease. Turnover also includes commission earned on the introduction of insurance products which are accounted for on an accruals basis.

Operating lease assets

Assets on hire to customers under operating lease agreements are treated as fixed assets. Income from each lease is allocated to accounting periods over the lease term on a straight-line basis.

The cost of assets on hire under operating lease agreements is depreciated to the anticipated residual value over the term of the lease.

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

Notes to the financial statements

for the year ended 31 July 2011

1. Accounting policies (continued)

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

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

Group Accounting

The company has taken advantage of the exemption available under section 400 of the Companies Act 2006 from preparing group financial statements. Accordingly these financial statements only contain information about Surrey Asset Finance Limited and not its subsidiary undertakings

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 – 3 describes the results, key performance indicators, financial risk management objectives and its exposures to credit risk, liquidity risk and market risk

The company has ceased writing new business and is operating on its existing portfolio. 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 company has adequate financial resources. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the directors have a reasonable assurance that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

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

	2011 £'000	2010 £'000
Hire purchase	846	2,223
Lease finance	329	831
Regulated agreements	1	9
Operating leases	-	33
Other income	519	1,334
	<u>1,695</u>	<u>4,430</u>

Notes to the financial statements

for the year ended 31 July 2011

3. Other income

	2011	2010
	£'000	£'000
Bank interest	-	5
	<u>-</u>	<u>5</u>

4. Interest payable and similar charges

	2011	2010
	£'000	£'000
Payable to group undertakings	354	1,205
	<u>354</u>	<u>1,205</u>

5. Profit on ordinary activities before taxation

This is stated after charging	2011	2010
	£'000	£'000
Auditors' remuneration - audit of annual accounts	1	10
Depreciation of owned tangible fixed assets	-	7
Depreciation of assets held for operating leases	-	46
Management recharge	258	647
Operating lease rentals payable	7	27
Leasehold property rents	8	23
Motor vehicles		
	<u></u>	<u></u>

The company does not have any employees (2010 - nil) All staff costs are being borne by Close Asset Finance Limited, which provides a management service to the company

6. Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2011	2010
	£'000	£'000
<i>Current Tax</i>		
UK corporation tax	44	921
Tax under/ (over) provided in prior years	(179)	1,395
	<u>(135)</u>	<u>2,316</u>
Total current tax (note 6(b))		

Notes to the financial statements

for the year ended 31 July 2011

Deferred Tax

Deferred tax – current year	215	(182)
Deferred tax – prior year	(27)	(1,220)
Total deferred tax	188	(1,402)
Tax on profit on ordinary activities	53	914

(b) Factors affecting the tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK at 27.3% (2010 - 28%). The differences are reconciled below

	2011 £'000	2010 £'000
Profit before tax	410	2,281
Corporation tax at 27.3% (2010 - 28%)	112	639
Expenses not deductible for tax purposes	(13)	9
Capital allowances (in excess of)/less than depreciation	(55)	298
Increase in general provision	-	(44)
Chargeable gains	-	19
Tax under/ (over) provided in previous years	(179)	1,395
Corporation tax charge (note 6(a))	(135)	2,316

Notes to the financial statements

for the year ended 31 July 2011

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period	2011 £000	2010 £000
There were no dividends declared for the year ended 31 st July 2011 (2010 - £165 per ordinary share)	-	16,500
	-	16,500

8. Fixed assets

	<i>Assets held for operating leases £'000</i>	<i>Total £'000</i>
Cost		
At 1 August 2010	99	99
Disposals	(99)	(99)
At 31 July 2011	-	-
Depreciation		
At 1 August 2010	80	80
Disposals	(80)	(80)
At 31 July 2011	-	-
Net book value		
At 31 July 2011	-	-
At 31 July 2010	19	19

Future minimum lease rentals receivable in respect of operating leases

	2011 £000	2010 £000
Within one year	-	20
Between two and five years	-	-
	-	20

Notes to the financial statements

for the year ended 31 July 2011

9. Investments

	<i>Subsidiary undertakings £</i>
Cost	
At 1 August 2010 and 31 July 2011	100
Net book value	
At 31 July 2010 and 31 July 2011	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 Subsidiary undertakings</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>
Commercial Finance Credit Limited	England and Wales	Ordinary shares	100%	Financing

Notes to the financial statements

for the year ended 31 July 2011

10. Debtors

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Finance receivables	4,367	7,079	1,390	8,390
Prepayments	17	78	-	-
Other debtors	2,746	2,088	-	-
Deferred tax	2,296	2,484	-	-
Other taxes and social security costs	3,500	2,418	-	-
	<u>12,926</u>	<u>14,147</u>	<u>1,390</u>	<u>8,390</u>

Included in finance receivables are the following amounts

	<i>Gross</i>	<i>Unearned charges</i>	<i>Net</i>	<i>Net</i>
	<i>2011</i>	<i>2011</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
HP agreements				
within one year	3,996	(461)	3,535	5,095
after one year	1,377	(79)	1,298	6,766
	<u>5,373</u>	<u>(540)</u>	<u>4,833</u>	<u>11,861</u>
Finance leases				
within one year	896	(64)	832	1,939
after one year	95	(3)	92	1,577
	<u>991</u>	<u>(67)</u>	<u>924</u>	<u>3,516</u>
Regulated loans				
within one year	-	-	-	45
after one year	-	-	-	47
	<u>-</u>	<u>-</u>	<u>-</u>	<u>92</u>
Total				
within one year	4,892	(525)	4,367	7,079
after one year	1,472	(82)	1,390	8,390
	<u>6,364</u>	<u>(607)</u>	<u>5,757</u>	<u>15,469</u>

Notes to the financial statements

for the year ended 31 July 2011

11. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2011 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £24,279,235 (2010 - £40,662,363)

12. Deferred taxation

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total deferred tax asset	2,008	2,235	288	249	2,296	2,484
Movement in the year						
Asset at 1 August 2010						£'000 2,484
Deferred tax charge in the profit and loss account (note 6(a))						(188)
Asset at 31 July 2011						2,296

13. Creditors: amounts falling due within one year

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Bank overdraft	-	12
Trade creditors	44	212
Amounts due to group undertakings	8,493	16,723
Corporation tax	2,200	2,293
Accruals and deferred income	1	63
	10,738	19,303

14 Called up share capital

	<i>2011</i>	<i>2010</i>
	<i>£'000</i>	<i>£'000</i>
Authorised		
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 '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 2011

15. 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 2010	1	2,356	896	3,253
Profit for the financial year	-	-	357	357
At 31 July 2011	1	2,356	1,253	3,610

16 Financial commitments

The annual commitment under non cancellable operating leases was as follows

	<i>Land & buildings</i>		<i>Motor vehicles</i>		<i>Total</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Leases expiring						
Within 1 year	-	42	-	29	-	71
Between 2 and 5 years	-	99	-	23	-	122
	-	141	-	52	-	193

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 100% owned and if group financial statements are publicly available

There are no other related party transactions requiring disclosure

18 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 Asset Finance Limited, which is incorporated in Great Britain and registered in England and Wales