

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

ERNST & YOUNG



Surrey Asset Finance Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 July 1998.

RESULTS AND DIVIDENDS

The company's trading profit before taxation amounted to £868,681 (1997 - £383,663). The directors paid an interim dividend of £Nil (1997 - £63,500) and recommend a final dividend of £Nil (1997 - £Nil), leaving a retained profit of £517,059.

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

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>1998</i>	<i>31 July</i> <i>1997</i>
B Bannayi	61	55
D J Dine	61	55
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).

Surrey Asset Finance Limited

DIRECTORS' REPORT

YEAR 2000

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

In conjunction with our parent company, we have developed a review programme, incorporating comprehensive checking of our data processing and telecommunications systems, as well as reviewing and seeking assurances from our major and critical suppliers.

We are well advanced in the review programme, which requires regular progress reports at both board and group level and are confident of being Year 2000 compliant well within the deadlines.

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

Surrey Asset Finance Limited

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.

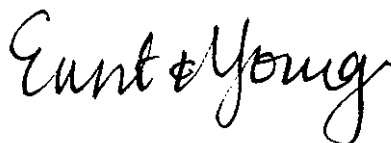
Basis of opinion

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Registered Auditor
London

24 September 1998

Surrey Asset Finance Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 July 1998

	Notes	1998 £	1997 £
TURNOVER	2	7,156,786	2,903,401
Operating costs		(5,240,167)	(2,239,392)
Other income	3	22,228	6,623
Interest payable and similar charges	4	(1,070,166)	(286,969)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	868,681	383,663
Taxation	6	(351,622)	(125,077)
PROFIT FOR THE FINANCIAL PERIOD		517,059	258,586
Dividend		—	(63,500)
RETAINED PROFIT		517,059	195,086
RETAINED PROFIT BROUGHT FORWARD		252,821	57,735
RETAINED PROFIT CARRIED FORWARD	13	769,880	252,821

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 1998

	Notes	1998 £	1997 £
FIXED ASSETS			
Tangible assets	7	158,840	110,651
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	5,108,363	2,919,157
- amounts falling due after more than one year	8	14,851,159	8,402,551
Cash at bank and in hand		1,052,693	537,320
		<u>21,012,215</u>	<u>11,859,028</u>
CREDITORS: amounts falling due within one year	10	(18,310,122)	(10,563,479)
NET CURRENT ASSETS		<u>2,702,093</u>	<u>1,295,549</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,860,933</u>	<u>1,406,200</u>
PROVISION FOR LIABILITIES AND CHARGES	11	—	(77,076)
		<u>2,860,933</u>	<u>1,329,124</u>
CAPITAL AND RESERVES			
Called up share capital	12	1,030	786
Share premium account	13	2,356,690	1,342,184
Profit and loss account	13	769,880	252,821
Goodwill write-off reserve	13	(266,667)	(266,667)
SHAREHOLDERS' FUNDS - Equity	13	<u>2,860,933</u>	<u>1,329,124</u>

The accounts were approved by the board
on 24 September 1998

Director

Director

[Signature]
[Signature]

Surrey Asset Finance Limited

CASH FLOW STATEMENT for the year ended 31 July 1998

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

	Note	1998 £	1997 £
Profit on ordinary activities before taxation		868,681	383,663
Depreciation		47,782	33,442
Increase in debtors		(8,637,814)	(11,191,792)
Increase in creditors		7,358,210	10,350,442
(Profit)/loss on sale of fixed assets		(1,745)	89
Net cash outflow from operating activities		<u>(364,886)</u>	<u>(424,156)</u>

CASH FLOW STATEMENT

Net cash outflow from operating activities		(364,886)	(424,156)
Taxation		(40,265)	(34,026)
Capital expenditure	14	(94,226)	(31,938)
		<u>(499,377)</u>	<u>(490,120)</u>
Equity dividends paid		–	(63,500)
		<u>(499,377)</u>	<u>(553,620)</u>
Financing	14	1,014,750	1,076,083
INCREASE IN CASH	14	<u>515,373</u>	<u>522,463</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1998

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 1998

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:

	1998 £	1997 £
Hire purchase	3,305,098	1,095,547
Lease finance	3,349,152	1,335,014
Other income	502,536	472,840
	<u>7,156,786</u>	<u>2,903,401</u>

3. OTHER INCOME

	1998 £	1997 £
Bank interest	<u>22,228</u>	<u>6,623</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.

	1998 £	1997 £
Hire purchase interest	–	3,867
Bank loans and overdrafts	1,070,166	283,102
	<u>1,070,166</u>	<u>286,969</u>
Of which interest payable to group undertakings	<u>1,070,166</u>	<u>269,469</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1998

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	1998 £	1997 £
Auditors' remuneration:		
- as auditors	7,000	6,500
- other services	4,220	-
Depreciation of owned tangible fixed assets	47,782	33,442
Staff costs including executive directors:		
Wages and salaries	404,487	342,011
Social security costs	55,571	43,966
Other pension costs	32,783	27,544
(Profit)/loss on disposal of fixed assets	(1,745)	89

(b) Directors' remuneration:

	1998 £000	1997 £000
Emoluments	355,640	278,431
Company contributions paid to money purchase pension schemes	27,285	21,639

Members of money purchase pension schemes	3	3
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The amounts in respect of the highest paid director are:

Emoluments	122,304	95,484
Company contributions paid to money purchase pension schemes	9,095	6,788

(c) Employee numbers:

The average number of employees during the year was:

	1998 No.	1997 No.
Office and management	5	5
Sales and collections	1	1
	6	6

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1998

6. TAXATION

	1998 £	1997 £
UK corporation tax at 31.0% (1996 - 32.3%)	433,476	47,850
Deferred taxation	(77,076)	77,076
Adjustments in respect of prior years - corporation tax (over)/underprovided	(4,778)	151
	<u>351,622</u>	<u>125,077</u>

7. FIXED ASSETS

	Motor vehicles £	Fixtures and fittings £	Total £
Cost:			
At 1 July 1997	139,862	14,059	153,921
Additions	117,095	29,231	146,326
Disposals	(90,017)	-	(90,017)
At 31 July 1998	<u>166,940</u>	<u>43,290</u>	<u>210,230</u>
Depreciation:			
At 1 July 1997	39,458	3,812	43,270
Disposals	(39,662)	-	(39,662)
Charge for year	39,699	8,083	47,782
At 31 July 1998	<u>39,495</u>	<u>11,895</u>	<u>51,390</u>
Net book value:			
At 31 July 1998	<u>127,445</u>	<u>31,395</u>	<u>158,840</u>
At 30 June 1997	<u>100,404</u>	<u>10,247</u>	<u>110,651</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS at 31 July 1998

8. DEBTORS

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Finance receivables	4,976,079	2,576,156	14,851,159	8,402,551
Prepayments	33,757	17,215	–	–
Other debtors	98,527	325,786	–	–
	<u>5,108,363</u>	<u>2,919,157</u>	<u>14,851,159</u>	<u>8,402,551</u>

Included in finance receivables are the following amounts:

	<i>1998</i>	<i>1998</i>	<i>1998</i>	<i>1997</i>
	<i>Gross</i>	<i>Unearned</i>	<i>Net</i>	<i>Net</i>
	£	charges	£	£
HP agreements:				
within one year	3,878,294	1,181,366	2,696,928	1,722,482
after one year	9,027,817	1,385,329	7,642,488	4,895,224
	<u>12,906,111</u>	<u>2,566,695</u>	<u>10,339,416</u>	<u>6,617,706</u>
Finance leases:				
within one year	3,369,776	1,090,625	2,279,151	853,674
after one year	8,651,960	1,443,289	7,208,671	3,507,327
	<u>12,021,736</u>	<u>2,533,914</u>	<u>9,487,822</u>	<u>4,361,001</u>
Total:				
Within one year	7,248,070	2,271,991	4,976,079	2,576,156
After one year	17,679,777	2,828,618	14,851,159	8,402,551
	<u>24,927,847</u>	<u>5,100,609</u>	<u>19,827,238</u>	<u>10,978,707</u>

9. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 1998 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £25,170,086 (1997 - £12,520,983).

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1998

10. CREDITORS - amounts falling due within one year

	1998 £	1997 £
Trade creditors	94,793	1,308,787
Amounts due to parent undertaking	17,709,235	9,169,470
Current corporation tax	420,408	31,975
Other taxes and social security costs	33,030	18,522
Accruals and deferred income	52,656	34,725
	<u>18,310,122</u>	<u>10,563,479</u>

11. PROVISION FOR LIABILITIES AND CHARGES

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

	<i>Provided</i>		<i>Not provided</i>	
	1998 £	1997 £	1998 £	1997 £
Capital allowances	-	85,622	-	-
Short term and other timing differences	-	(8,546)	-	-
	<u>-</u>	<u>77,076</u>	<u>-</u>	<u>-</u>

12. CALLED UP SHARE CAPITAL

	1998 £	1997 £
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	621
Ordinary 'B' shares of £1 each	216	165
	<u>1,030</u>	<u>786</u>

244 ordinary shares were issued during the period in order to facilitate an increase in the capital of the company. The aggregate nominal value of the shares issued is £244, and consideration received is £1,014,750.

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS at 31 July 1998

13. 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	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 year	—	—	258,586	—	258,586
Dividend	—	—	(63,500)	—	(63,500)
Goodwill write off	—	—	—	(266,667)	(266,667)
At 31 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

14. NOTES TO THE CASH FLOW STATEMENT

	1998 £	1997 £	
Capital expenditure:			
Payments to acquire tangible fixed assets	(146,326)	(75,639)	
Receipts from sales of fixed assets	52,100	43,701	
	<u>(94,226)</u>	<u>(31,938)</u>	
Financing:			
Issue of ordinary share capital	1,014,750	1,105,458	
Expenses paid in connection with share issues	—	(29,375)	
	<u>1,014,750</u>	<u>1,076,083</u>	
Analysis of changes in net debt:			
	<i>At 31 July</i> <i>1997</i> £	<i>Cash</i> <i>flows</i> £	<i>At 31 July</i> <i>1998</i> £
Cash in hand, at bank	537,320	515,373	1,052,693
Debt due within one year	(9,169,470)	(8,539,765)	(17,709,235)
Debt due after more than one year	—	—	—
	<u>(8,632,150)</u>	<u>(8,024,392)</u>	<u>(16,656,542)</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 1998

15. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

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

	1998 £	1997 £
Land and buildings		
Leases expiring:		
Within one year	–	24,000
Between two and five years	26,250	–
	<u>26,250</u>	<u>24,000</u>

16. 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 £86,300 (1997 - £155,800).

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

17. 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 1997 was £9 million.

18. 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.