

Surrey Asset Finance Limited

Registered No. 2740386

DIRECTORS

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

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



DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 July 2000.

RESULTS AND DIVIDENDS

The company's trading profit before taxation amounted to £1,101,462 (1999 - £1,028,327). The directors paid an interim dividend of £Nil. (1999 - £Nil) and recommend a final dividend of £350,200 (1999 - £350,200), leaving a retained profit carried forward of £1,442,577.

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	Resigned 30 June 2000
R H Stone	
P E Curtis	
B Bannayi (Managing)	
D J Dine	
G DeVries	
R A Aust	
J R Mort	Appointed 18 January 2000

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:

	31 July 2000	31 July 1999
B Bannayi	61	61
D J Dine	61	61
G DeVries	55	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).

DIRECTORS' REPORT

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


26th September 2000.



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 in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young 26 SEP 2000
Registered Auditor
London

Surrey Asset Finance Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 July 2000

	<i>Notes</i>	<i>2000 £'000</i>	<i>1999 £'000</i>
TURNOVER	2	12,373	10,361
Operating costs		(9,693)	(7,943)
Other income	3	19	15
Interest payable and similar charges	4	(1,598)	(1,405)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	1,101	1,028
Taxation	6	(398)	(358)
PROFIT FOR THE FINANCIAL YEAR		703	670
Dividend		(350)	(350)
RETAINED PROFIT		353	320
RETAINED PROFIT BROUGHT FORWARD		1,089	769
RETAINED PROFIT CARRIED FORWARD	12	1,442	1,089

The company had no recognised gains or losses during either year/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 2000

	Notes	2000 £'000	1999 £'000
FIXED ASSETS			
Tangible assets	7	182	129
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	10,305	7,884
- amounts falling due after more than one year	8	21,102	17,556
Cash at bank and in hand		312	883
		<u>31,719</u>	<u>26,323</u>
CREDITORS: amounts falling due within one year	10	(28,368)	(23,272)
		<u>3,351</u>	<u>3,051</u>
NET CURRENT ASSETS			
		<u>3,533</u>	<u>3,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>3,533</u>	<u>3,180</u>
CAPITAL AND RESERVES			
Called up share capital	11	1	1
Share premium account	12	2,356	2,356
Profit and loss account	12	1,442	1,089
Goodwill write-off reserve	12	(266)	(266)
		<u>3,533</u>	<u>3,180</u>
SHAREHOLDERS' FUNDS - Equity			
	12	<u>3,533</u>	<u>3,180</u>

The accounts were approved by the board
on 26th September 2000

[Signature]
[Signature]

Director

Director

Surrey Asset Finance Limited

CASH FLOW STATEMENT

for the year ended 31 July 2000

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

	2000	1999
Notes	£'000	£'000
Profit on ordinary activities before taxation	1,101	1,028
Depreciation	70	60
Increase in debtors	(5,967)	(5,481)
Increase in creditors	5,118	4,771
Loss on sale of fixed assets	6	-
Net cash inflow from operating activities	328	378

CASH FLOW STATEMENT

Net cash inflow from operating activities	328	378
Taxation	(421)	(517)
Capital expenditure	(128)	(30)
	(221)	(169)
Equity dividends paid	(350)	-
DECREASE IN CASH	(571)	(169)

NOTES TO THE ACCOUNTS
at 31 July 2000

1. ACCOUNTING POLICIES

Accounting convention

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

Goodwill

Before 1 August 1998, goodwill arising on the acquisition of business assets representing the excess of the purchase consideration over the fair value ascribed to the net tangible assets was written off to reserves in the year of acquisition. From 1 August 1998 as required by Financial Reporting Standard 10, such goodwill arising subsequently shall be capitalised as an intangible asset and amortised in equal annual instalments over their useful lives.

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows:

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

Initial costs

With the exception of variable interest rate agreements, a fixed percentage of the finance charges relating to hire purchase, finance lease or regulated loan agreements is taken to income on the commencement of a new agreement to match the costs associated with setting-up that agreement.

Hire purchase and finance leases agreements

Hire purchase and finance leases agreements are recognised as loans at the minimum lease payments less finance charges. Leasing income, after deduction of initial costs if appropriate, is taken to income by the actuarial method. Finance charges on hire purchase agreements are taken to income by the sum-of-digits method which has the approximate effect of recognising such income at a constant rate of return on the capital element.

Finance receivables

Finance receivables are stated net of provisions, which are made on the basis of regular review by management.

Deferred taxation

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

Pensions

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

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2000

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:

	2000 £'000	1999 £'000
Hire purchase	5,199	4,390
Lease finance	6,560	5,352
Other income	614	619
	<u>12,373</u>	<u>10,361</u>

3. OTHER INCOME

	2000 £'000	1999 £'000
Other income	<u>19</u>	<u>15</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.

	2000 £'000	1999 £'000
Bank loans and overdrafts	<u>1,598</u>	<u>1,405</u>
Of which interest payable to group undertakings	<u>1,598</u>	<u>1,405</u>

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:	2000 £'000	1999 £'000
Auditors' remuneration:		
- as auditors	9	6
- other services	4	4
Depreciation of owned tangible fixed assets	70	59
Staff costs including executive directors:		
Wages and salaries	591	489
Social security costs	74	58
Other pension costs	37	37
Loss on disposal of fixed assets	<u>6</u>	<u>-</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2000

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

(b) Directors' remuneration:

	2000 £'000	1999 £'000
Emoluments	535,419	460,688
Company contributions paid to money purchase pension schemes	37,660	35,896

Members of money purchase pension schemes	4	4
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The amounts in respect of the highest paid director are:

	£'000	£'000
Emoluments	146,995	132,082
Company contributions paid to money purchase pension schemes	10,700	9,932

(c) Directors' interests in shares and share options:

Directors' Group Share Options:

Unexercised options over ordinary shares of close Brothers Group plc held by directors under the company's sharesave share option scheme were as follows:

	1 August 1999	Exercised	Granted	31 July 2000
D J Dine	—	—	2,562	2,562
R A Aust	—	—	1,025	1,025

(d) Employee numbers:

The average number of employees during the year was:

	2000 No.	1999 No.
Office and management	7	5
Sales and collections	3	2
	10	7

6. TAXATION

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999 – 30.67%)	366	377
Adjustments in respect of prior years - corporation tax under/(over) provided	32	(19)
	398	358

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS at 31 July 2000

7. FIXED ASSETS

	<i>Motor vehicles £'000</i>	<i>Fixtures and fittings £'000</i>	<i>Total £'000</i>
Cost:			
At 1 July 1999	186	54	240
Additions	136	12	148
Disposals	(62)	—	(62)
At 31 July 2000	260	66	326
Depreciation:			
At 1 July 1999	86	25	111
Disposals	(37)	—	(37)
Charge for year	57	13	70
At 31 July 2000	106	38	144
Net book value:			
At 31 July 2000	154	28	182
At 31 July 1999	100	29	129

8. DEBTORS

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Finance receivables	10,121	7,635	21,102	17,556
Prepayments	31	13	—	—
Other debtors	153	236	—	—
	10,305	7,884	21,102	17,556

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2000

8. DEBTORS (continued)

Included in finance receivables are the following amounts:

	2000	2000	2000	1999
	Gross	Unearned	Net	Net
	£'000	charges	£'000	£'000
HP agreements:				
within one year	4,908	1,150	3,758	3,278
after one year	8,529	1,041	7,488	6,912
	<u>13,437</u>	<u>2,191</u>	<u>11,246</u>	<u>10,190</u>
Finance leases:				
within one year	8,407	2,045	6,362	4,358
after one year	16,046	2,431	13,615	10,644
	<u>24,453</u>	<u>4,476</u>	<u>19,977</u>	<u>15,002</u>
Total:				
Within one year	13,315	3,195	10,120	7,636
After one year	24,575	3,472	21,103	17,556
	<u>37,890</u>	<u>6,667</u>	<u>31,223</u>	<u>25,192</u>

9. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 2000 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £56,401,524 (1999 - £42,225,637).

10. CREDITORS - amounts falling due within one year

	2000	1999
	£'000	£'000
Trade creditors	1,528	1,350
Amounts due to parent undertaking	26,443	21,503
Current corporation tax	238	261
Other taxes and social security costs	61	43
Accruals and deferred income	98	116
	<u>28,368</u>	<u>23,273</u>

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS

at 31 July 2000

11. CALLED UP SHARE CAPITAL

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	78,904	78,904
Ordinary 'B' shares of £1 each	21,096	21,096
	<u>100,000</u>	<u>100,000</u>
Called up, allotted and fully paid:		
Ordinary shares of £1 each		
Ordinary 'A' shares of £1 each	814	814
Ordinary 'B' shares of £1 each	216	216
	<u>1,030</u>	<u>1,030</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Goodwill write-off reserve £'000	Total shareholders' funds £'000
At 31 July 1998	1	2,356	769	(266)	2,860
Profit for the period	—	—	670	—	670
Dividend	—	—	(350)	—	(350)
At 31 July 1999	1	2,356	1,089	(266)	3,180
Profit for the year	—	—	703	—	703
Dividend	—	—	(350)	—	(350)
At 31 July 2000	1	2,356	1,442	(266)	3,533

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

Surrey Asset Finance Limited

NOTES TO THE ACCOUNTS at 31 July 2000

13. NOTES TO THE CASH FLOW STATEMENT

	2000	1999
	£'000	£'000
Capital expenditure:		
Payments to acquire tangible fixed assets	(148)	(30)
Receipts from sales of fixed assets	20	-
	<u>(128)</u>	<u>(30)</u>

Analysis of changes in net debt:

	<i>At 31 July</i>	<i>Cash</i>	<i>At 31 July</i>
	<i>1999</i>	<i>flows</i>	<i>2000</i>
	£'000	£'000	£'000
Cash in hand, at bank	883	(571)	312
Debt due within one year	(21,502)	(4,939)	(26,441)
Debt due after more than one year	-	-	-
	<u>(20,619)</u>	<u>(5,510)</u>	<u>(26,129)</u>

14. FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

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

	2000	1999
	£'000	£'000
Land and buildings		
Leases expiring:		
Between two and five years	26	* 26
	<u>26</u>	<u>26</u>

15. RELATED PARTIES

With effect from 21 August 1996, the company's immediate parent became Close Asset Finance Limited, a company registered in England and Wales. The company brokers business to its parent undertaking. The value of these transactions in the year amounts to £60,500 (1999 - £41,400).

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

16. INTEREST RATE CONTRACTS

Interest rate swap agreements and interest rate caps are entered into for hedging purposes. The nominal value of the open contracts at 31 July 2000 was £16 million (1999 - £12 million).

NOTES TO THE ACCOUNTS

at 31 July 2000

17. PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group accounts are drawn up and of which the company is a member is Close Brothers Group plc, the ultimate parent undertaking, which is a listed company registered in England and Wales, and the parent undertaking of the smallest such group is Close Brothers Limited, registered in England and Wales. Copies of the accounts of both Close Brothers Group plc and Close Brothers Limited may be obtained from 10 Crown Place, London EC2A 4FT.

