

## Close Asset Finance Limited

## DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 July 2003.

**RESULTS AND DIVIDENDS**

The trading profit before taxation amounted to £14,381,000 (2002 – profit of £17,882,100). An interim dividend of £3,333,333 (2002 – £2,235,700) was paid in April 2003. The directors recommend a final dividend of £2,547,667 (2002 – £6,707,200).

**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.

**DIRECTORS AND THEIR INTERESTS**

The directors who served during the year were as follows:

R D Kent (resigned 30 September 2002)  
 D G Hardisty (resigned 31 July 2003)  
 M J Barley  
 P E Curtis (resigned 16 June 2003)  
 S C F Chan (appointed 23 June 2003)  
 M Booker  
 R H Stone  
 N G Poxon  
 N T H Hamilton  
 S R Hodges  
 L Porter  
 S M Murray (resigned 16 June 2003)  
 C D Keogh (appointed 21 July 2003)



R D Kent, C D Keogh and S R Hodges are directors of Close Brothers Group plc, the ultimate parent undertaking. D G Hardisty resigned as a director of Close Brothers Group plc during the year. The interests of all of these directors in the share capital of Close Brothers Group plc are dealt with in the report of that company. M J Barley is a director of Close Brothers Limited and 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 "B" ordinary shares of Close Asset Finance Limited are:

	31 July 2003	31 July 2002
N G Poxon	856	856

Details of the options to subscribe for ordinary shares of Close Brothers Group plc held by the directors under the company's sharesave scheme and details of the directors' interests in ordinary shares of Close Brothers Group plc are given in note 5(c) to the financial statements.

**CHARITABLE CONTRIBUTIONS**

During the year, the company made various charitable contributions totalling £5,410 (2002 – £542).

Close Asset Finance Limited

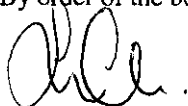
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DIRECTORS' REPORT

**AUDITORS**

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the members at the Annual General Meeting.

By order of the board



Secretary

## Close Asset Finance Limited

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### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

*Company law requires the directors to prepare financial statements 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 financial statements, the directors are required to:*

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent; and*
- *state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.*

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 financial statements 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CLOSE ASSET FINANCE LIMITED**

We have audited the company's financial statements for the year ended 31 July 2003 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

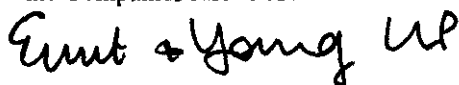
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 July 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

25 September 2003

# Close Asset Finance Limited

## PROFIT AND LOSS ACCOUNT

for the year ended 31 July 2003

		2003	<i>Restated</i> 2002
	<i>Notes</i>	£000	£000
<b>TURNOVER</b>	2	57,157	54,861
Operating costs		(25,987)	(19,917)
<b>OPERATING PROFIT</b>		31,170	34,944
Income from investments		1,221	1,515
Other income	3	33	107
Interest payable and similar charges	4	(18,043)	(18,684)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	14,381	17,882
Taxation	6	(3,967)	(5,006)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		10,414	12,876
Dividends:			
Dividends paid in the year		(3,333)	(2,236)
Dividends payable		(2,548)	(6,707)
<b>RETAINED PROFIT</b>		4,533	3,933
<b>RETAINED PROFIT BROUGHT FORWARD</b>		63,024	59,091
<b>RETAINED PROFIT CARRIED FORWARD</b>		67,557	63,024

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than those recognised in the profit and loss account.

# Close Asset Finance Limited

## BALANCE SHEET

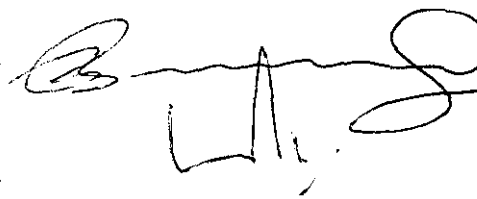
at 31 July 2003

	Notes	2003 £000	2002 £000
<b>FIXED ASSETS</b>			
Tangible assets	7	821	661
Investments	8	4,265	2,797
		<u>5,086</u>	<u>3,458</u>
<b>CURRENT ASSETS</b>			
Debtors - amounts falling due within one year	9	150,460	156,531
- amounts falling due after more than one year	9	290,798	273,287
Cash at bank and in hand		2,019	4,647
		<u>443,277</u>	<u>434,465</u>
<b>CREDITORS: amounts falling due within one year</b>	12	<u>375,841</u>	<u>369,934</u>
<b>NET CURRENT ASSETS</b>		<u>67,436</u>	<u>64,531</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>72,522</u>	<u>67,989</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	1,208	1,208
Share premium account	14	3,757	3,757
Profit and loss account	14	67,557	63,024
<b>SHAREHOLDERS' FUNDS - Equity</b>	14	<u>72,522</u>	<u>67,989</u>

The financial statements were approved by the board  
on 25 September 2003

Director

Director



## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

### 1. ACCOUNTING POLICIES

#### *Accounting convention*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. Following the requirement in FRS 18 'Accounting Policies' to observe the 'Statement of Recommended Practice' (SORP) issues for the asset finance industry by the Finance and Leasing Association, the company reviewed its treatment of leases and concluded that the existing accounting policies satisfied the recommendations of the SORP.

The following accounting policies are unchanged from prior years and have been applied consistently throughout this financial year. However, turnover has been restated to achieve a consistent approach across the Close Brothers Group. Previously, turnover was disclosed gross of the capital element. For the current year it has been restated to the net basis.

#### *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:

Fixtures and fittings	- 20% per annum
Computer equipment	- 33.3% per annum
Motor vehicles	- 25% 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.

#### *Loans and advances*

Loans and advances 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.

#### *Hire purchase, finance leases and regulated loan agreements*

Hire purchase, finance leases and regulated loan 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 and other 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.

#### *Investment in subsidiaries*

Investments in subsidiaries are stated at cost less provision for impairment in value.

NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

1. ACCOUNTING POLICIES (continued)

*Deferred taxation*

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.

*Pensions*

The cost of providing pensions is charged to the profit and loss account so as to spread the cost for those employees in defined benefit schemes over the anticipated service lives of those employees. 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.

*Cashflow 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 cashflow statement.

2. TURNOVER

Turnover, which arises wholly in the UK, represents net finance income arising from finance leases, hire purchase contracts and regulated agreements, as well as commission and collection fees, exclusive of VAT. To achieve a consistent approach across the group, turnover has been restated to the net basis.

The analysis of turnover is as follows:

	2003 £000	2002 £000
Hire purchase	25,371	26,702
Lease finance	24,182	21,242
Regulated agreements	413	439
Variable interest and other income	7,191	6,478
	<u>57,157</u>	<u>54,861</u>

3. OTHER INCOME

	2003 £000	2002 £000
Bank interest	33	107

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.

	2003 £000	2002 £000
Bank loans, overdrafts and interest rate swap agreements - payable to group undertakings	18,043	18,684



# Close Asset Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 July 2003

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(a) This is stated after charging:

	2003 £000	2002 £000
Auditors' remuneration - as auditors	45	40
- other services	41	39
Depreciation of tangible fixed assets	258	308
Staff costs including executive directors:		
Wages and salaries	5,074	4,109
Social security costs	774	708
Other pension costs	732	487
Operating lease rentals payable: Leasehold property rents	216	208

(b) Directors' remuneration:

	2003 £000	2002 £000
Emoluments	2,377	1,996
Compensation for loss of office	247	-
Company contributions paid to money purchase schemes	73	49
Members of money purchase pension schemes	5	4
Members of defined benefit pension schemes	4	4

The amounts in respect of the highest paid director are:

Emoluments	532	516
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(c) Directors' interest in share 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 2002	Lapsed	Exercised	Granted	31 July 2003
P E Curtis (resigned)	2,168	-	-	-	2,168
R H Stone	2,168	(2,168)	-	4,200	4,200
N T H Hamilton	3,086	(1,301)	-	2,520	4,305
M Booker	2,168	-	-	-	2,168
N G Poxon	2,168	(2,168)	-	2,416	2,416
S M Murray (resigned)	-	-	-	4,200	4,200
L Porter	-	-	-	2,416	2,416

## Close Asset Finance Limited

### NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

#### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

The interest of D G Hardisty, C D Keogh, R D Kent and S R Hodges in unexercised options of Close Brothers Group plc are shown in the financial statements of that company. The interest of M J Barley in unexercised options of Close Brothers Group plc are shown in the financial statements of Close Brothers Limited.

(c) Directors' interest in share and share options (continued)

Directors' Group share interest:

Directors' interest in loan stock of Close Brothers Limited were as follows:

	31 July 2003	1 August 2002
R H Stone	490,000	550,000
N G Poxon	1,777,900	1,777,900

The interest of D G Hardisty in the loan stock of Close Brothers Limited is shown in the financial statements of that company.

Directors' interest in ordinary shares of Close Brothers Group plc held in own name or spouse's name were as follows:

	31 July 2003	1 August 2002
P E Curtis (resigned)	3,193	2,504
M Booker	470	6,511
N G Poxon	14,655	15,875
R H Stone	1,074	—
N T H Hamilton	3377	6,786

Directors' interest in ordinary shares of Close Brothers Group plc granted under the Group's profit sharing scheme were as follows:

	31 July 2003	1 August 2002
M Booker	3,327	2,823
P E Curtis (resigned)	2,471	1,908
N G Poxon	3,327	2,823
R H Stone	3,327	2,823
N T H Hamilton	2,577	2,036

# Close Asset Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

### 5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

Directors' interest in ordinary shares of Close Brothers Group plc granted under the Group's Executive Share Option Purchase Scheme were as follows:

	31 July 2003	1 August 2002
P E Curtis (resigned)	40,666	58,250
M Booker	99,308	84,308
N G Poxon	96,600	86,600
R H Stone	96,200	81,200
N T H Hamilton	64,600	56,600
S M Murray (resigned)	6,666	—

The interests of D G Hardisty, C D Keogh, R D Kent and S R Hodges in shares of Close Brothers Group plc are dealt with in the report of that company. The interest of M J Barley in shares of Close Brothers Group plc is dealt with in the report of Close Brothers Limited.

(d) Employee numbers:

The average number of employees during the year was:

	2003 No.	2002 No.
Office and management	43	37
Sales and collections	62	53
	<u>105</u>	<u>90</u>

### 6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2003 £000	2002 £000
<i>Current Tax</i>		
UK corporation tax	3,294	5,611
Corporation tax overprovided in prior year	—	(626)
Total current tax (note 6(b))	<u>3,294</u>	<u>4,985</u>
<i>Deferred Tax</i>		
Deferred tax - current year	737	(459)
Prior year adjustment - deferred tax	(64)	480
Total deferred tax (refer to note 11)	<u>673</u>	<u>21</u>
Tax on profit on ordinary activities	<u>3,967</u>	<u>5,006</u>

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

## 6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (continued)

## (b) Factors affecting current 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 30% (2002 - 30%). The differences are reconciled below:

	2003 £000	2002 £000
Profit before tax	14,381	17,882
Expected tax charge at 30%	4,314	5,365
Expenses not deductible for tax purposes	83	242
Depreciation in excess of capital allowances	(720)	396
Movement in general provisions	(17)	63
Tax underprovided in previous years	—	(626)
Group relief - intercompany dividend	(366)	(455)
Corporation tax charge	3,294	4,985

## 7. FIXED ASSETS

	Motor vehicles £000	Fixtures, fittings and computer equipment £000	Total £000
Cost:			
At 1 August 2002	733	779	1,512
Additions	366	272	638
Disposals	(407)	(249)	(656)
At 31 July 2003	692	802	1,494
Depreciation:			
At 1 August 2002	205	646	851
Charge for the year	172	86	258
Disposals	(187)	(249)	(436)
At 31 July 2003	190	483	673
Net book value:			
At 31 July 2003	502	319	821
At 31 July 2002	528	133	661

# Close Asset Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

### 8. INVESTMENTS

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 August 2002	2,797
Addition in respect of Surrey Asset Finance Limited	1,468
Net book value:	
At 31 July 2003	4,265
At 1 August 2002	2,797

During the year, the company acquired all the shares of the minority shareholders in Surrey Asset Finance Limited for a cash consideration of £1,468,000.

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</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>
<i>Subsidiary undertakings</i>				
All held by the company unless indicated:				
Air and General Finance Limited	England and Wales	Ordinary shares	100%	Financing
Surrey Asset Finance Limited	England and Wales	Ordinary shares	100%	Financing
Braemar Finance Limited	England and Wales	Ordinary shares	87%	Financing
Close Engineering Finance Limited	England and Wales	Ordinary shares	100%	Dormant

NOTES TO THE FINANCIAL STATEMENTS  
at 31 July 2003

9. DEBTORS

	2003 £000	2002 £000
Finance receivables	428,797	413,350
Prepayments	1,132	215
VAT	541	—
Other debtors	5,343	11,431
Amounts receivable from group undertakings	1,296	—
Deferred tax (see note 11)	4,149	4,822
	<u>441,258</u>	<u>429,818</u>

Amounts falling due after more than one year included above are:

	2003 £000	2002 £000
Finance receivables	290,798	273,287

Included in finance receivables are the following amounts:

	2003 Gross £000	2003 Unearned charges £000	2003 Net £000	2002 Net £000
HP agreements:				
within one year	86,028	18,984	67,044	72,767
after one year	172,441	22,403	150,038	150,111
	<u>258,469</u>	<u>41,387</u>	<u>217,082</u>	<u>222,878</u>
Finance leases:				
within one year	87,793	18,229	69,564	65,992
after one year	161,911	22,920	138,991	121,293
	<u>249,704</u>	<u>41,149</u>	<u>208,555</u>	<u>187,285</u>
Regulated loans:				
within one year	1,693	302	1,391	1,304
after one year	1,970	201	1,769	1,883
	<u>3,663</u>	<u>503</u>	<u>3,160</u>	<u>3,187</u>
Total:				
within one year	175,514	37,515	137,999	140,063
after one year	336,322	45,524	290,798	273,287
	<u>511,836</u>	<u>83,039</u>	<u>428,797</u>	<u>413,350</u>

# Close Asset Finance Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

### 10. HIRE PURCHASE CONTRACTS AND FINANCE LEASES

The aggregate cost at 31 July 2003 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £779,940,729 (2002 - £757,355,589).

### 11. DEFERRED TAXATION

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Total deferred tax asset	5,027	5,719	(878)	(897)	4,149	4,822

The movements in deferred taxation during the current year are as follows:

	<i>£000</i>
At 1 August 2002	4,822
Deferred tax charge in the profit and loss account (note 6(a))	(673)
At 31 July 2003	4,149

### 12. CREDITORS: amounts falling due within one year

	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	12,194	19,410
Amounts due to parent undertaking	349,988	333,093
Current corporation tax	1,195	2,089
VAT	—	589
Other taxes and social security costs	341	410
Accruals and deferred income	9,576	7,636
Proposed final dividend	2,547	6,707
	375,841	369,934

### 13. CALLED UP SHARE CAPITAL

	<i>Authorised, allotted and fully paid up</i>	
	<i>2003</i>	<i>2002</i>
	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each:		
Ordinary		
“A” ordinary	1,008	1,008
“B” ordinary	200	200
	1,208	1,208

“A” and “B” shares convey identical rights to the owners and rank pari passu on winding up.

## NOTES TO THE FINANCIAL STATEMENTS

at 31 July 2003

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £000	Share premium £000	Profit and loss account £000	Total shareholders' funds £000
At 31 July 2002	1,208	3,757	63,024	67,989
Transfer from profit and loss account for the year	—	—	4,533	4,533
At 31 July 2003	1,208	3,757	67,557	72,522

## 15. PENSION ARRANGEMENTS

The company makes payments to defined contribution pension schemes and to a defined benefits pension scheme for eligible employees. Assets of all schemes are held separately from those of the company. The company pension charge for both the defined contribution scheme and the defined benefits pension scheme for the year was £731,922 (2002 - £487,247).

The defined benefits pension scheme is described in the financial statements of the ultimate parent undertaking. Contributions to this scheme by the company are accounted for as if the scheme was a defined contribution pension scheme since assets and liabilities of the scheme cannot be attributed to each participating employer on a consistent and reasonable basis. Consequently, any surplus or deficit in this scheme is not regarded as an asset or liability of the company but of the ultimate parent undertaking.

The company contribution rate for the year ended 31 July 2003 is 32.5% and for future years is 40% per annum of pensionable salaries which, under actuarial advice, should meet all pension obligations as determined by an independent qualified actuary, based on valuations, every three years, using the aggregate cost method. The most recent full actuarial valuation was at 31 July 2003.

## 16. FINANCIAL COMMITMENTS

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

	2003 £000	2002 £000
Land and buildings		
Leases expiring:		
Less than one year	29	—
Between two and five years	183	56
After five years	13	160
	225	216
Other commitments:		



NOTES TO THE FINANCIAL STATEMENTS  
at 31 July 2003

**16. FINANCIAL COMMITMENTS (continued)**

The company is committed to purchase on demand all minority shareholdings in Braemar Finance Limited at an agreed fair valuation after the signature of the financial statements of the company for the financial years ending on the dates listed below up to the relevant cumulative proportions set out below:

	<i>Percentage of holding</i>
31 July 2003	Up to 33%
31 July 2004	Up to 67%
31 July 2005	Up to 100%

**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 2003 was £165 million (2002 - £168 million).

**18. RELATED PARTY TRANSACTIONS**

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 more than 90% owned and if group financial statements are publicly available.

**19. CONTINGENT LIABILITIES**

The company is subject to a claim made against it for alleged satisfactory quality of a machine which it financed. The directors are defending vigorously this claim and, on the basis of the information available, the directors do not believe that there is sufficient certainty of a liability arising from the claim to recognise the contingent liability on the balance sheet. Legal fees in connection with defending this claim are expensed in the profit and loss account when incurred.

**20. 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.