02053453

Close Asset Finance Limited

Report and Financial Statements

31 July 2006

ERNST & YOUNG

Registered No 2053453

Directors

M J Barley
S P Bishop
S C F Chan
N T H Hamilton
S R Hodges
C D Keogh
L Porter
N G Poxon
R H Stone

Secretary

S C F Chan

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

Halifax Bank of Scotland
38 St Andrews Square
Edinburgh EH2 2YR

Barclays Bank
City Markets Team
PO Box 544
54 Lombard Street
London EC3V 9EX

Solicitors

Freshfields Bruckhaus Deringer
65 Fleet Street
London EC4Y 1HS

Registered Office

Tolworth Tower
Surbiton
Surrey KT6 7EL

Directors' report

The directors present their report and financial statements for the year ended 31 July 2006

Results and dividends

The trading profit before taxation amounted to £11,423,000 (2005 as restated - £9,554,000) In the current year, the company adopted new accounting policies, details of which are disclosed in Note 1 Interim and final dividends totalling £8,665,000 were paid during the year (2005 - £889,000 paid, £1,500,000 proposed)

Principal activities and review of the business

The company's ultimate parent is Close Brothers Group plc ("CBG") and it operates as part of CBG's Banking division

The company's principal activity is the provision of instalment credit to business customers The company has achieved satisfactory results in the year During the year, the directors decided to focus the company's lending to the print market on its wholly-owned subsidiary, Surrey Asset Finance Limited ("SAF") Notwithstanding this, the directors anticipate further growth for the company in the foreseeable future and the company has opened a new sales office in Blackburn which trades under the name of One Business Finance

As shown in the company's profit and loss account on page 8, turnover has decreased by 4% compared to the prior year, however profit before tax has increased by 20% over the same period The balance sheet on page 9 shows that the company's financial position at the year end remains strong, in both net assets and cash terms, and is consistent with the prior year

CBG manages its operations on a divisional basis For this reason, the company's directors believe that further key performance indicators for the company are not necessary or appropriate for an understanding of its development, performance or position The performance of CBG's Banking division is presented in its Annual Report which does not form part of this report

Principal risks and uncertainties

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 Group risks are discussed in CBG's Annual Report

The company is financed by its parent and has no third party debt, a combination of both long and short term fixed rate loans and interest rate swaps are used It therefore has little interest rate exposure

Environment

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 the Group's Annual Report Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption Approximately 12 tonnes of paper were recycled during the year as part of this initiative

Directors' report

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The company participates in CBG's polices and practices to keep employees informed on matters relevant to them as employees through regular meetings and newsletters Employee representatives are consulted regularly on a wide range of matters affecting their interests CBG's employee share scheme has been running successfully since its inception in 1993 and is open to all employees after a qualifying service period

The company's strong relationship with its employees is supported by the fact that 40% of the employees have been with the company for five years or more

Directors and their interests

The directors who served during the year were as follows

M J Barley
S P Bishop
S C F Chan
N T H Hamilton
S R Hodges
C D Keogh
L Porter
N G Poxon
R H Stone

C D Keogh and S R Hodges are also directors of Close Brothers Group plc, the ultimate parent undertaking The interests of these directors in the share capital of Close Brothers Group plc are dealt with in the report of that company

M J Barley also is a director of Close Brothers Limited, an intermediate parent undertaking His interest in the share capital of Close Brothers Group plc is dealt with in the report of Close Brothers Limited

The interests of directors or their families in "B" ordinary shares of Close Asset Finance Limited are

	31 July 2006	*31 July 2005*
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 Executive Share Option Purchase 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 £1,300 (2005 - £725)

Directors' report

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 37 creditor days of suppliers' invoices outstanding at the year end (2005 - 6)

Auditors

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

Completeness of information supplied to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware 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

By order of the board

Secretary

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

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
- 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 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

ERNST & YOUNG

ERNST & YOUNG

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 2006 which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance sheet and related notes 1 to 19 These financial statements have been prepared under 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements

We also report to you if, in our opinion, 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 other transactions is not disclosed

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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

ERNST & YOUNG

Independent auditors' report

to the members of Close Asset Finance Limited (continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
21 September 2006

Profit and loss account

for the year ended 31 July 2006

	Notes	2006 £000	2005 as restated £000
Turnover	2	53,944	56,014
Operating costs		(28,695)	(26,766)
Operating profit		25,249	29,248
Income from investments		4,815	200
Other income	3	28	47
Interest payable and similar charges	4	(18,551)	(19,881)
Amounts written off investments		(118)	(60)
Profit on ordinary activities before taxation	5	11,423	9,554
Taxation	6	(2,970)	(2,884)
Profit on ordinary activities after taxation		8,453	6,670
Dividends - paid in the year		(8,665)	(889)
- payable		-	(1,500)
Retained (loss)/profit		(212)	4,281
Retained profit brought forward		55,151	50,870
Retained profit carried forward		54,939	55,151

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

Statement of total recognised gains and losses

	2006 £000	2005 as restated £000
Profit for the financial year	8,453	6,670
Total recognised gains and losses relating to the year	8,453	6,670
Prior year adjustment (as explained in note 1)	(4,228)	
Total gains and losses recognised since last annual report	4,225	

Balance sheet
at 31 July 2006

	Notes	2006 £000	2005 as restated £000
Fixed assets			
Tangible assets	7	22,095	15,626
Investments	8	19,616	19,639
		41,711	35,265
Current assets			
Debtors - amounts falling due within one year	9	138,782	152,545
- amounts falling due after more than one year	9	234,591	265,469
Cash at bank and in hand		459	395
		373,832	418,409
Creditors: amounts falling due within one year	12	(355,639)	(393,558)
Net current assets		18,193	24,851
Total assets less current liabilities		59,904	60,116
Capital and reserves			
Called up share capital	13	1,208	1,208
Share premium account	14	3,757	3,757
Profit and loss account	14	54,939	55,151
Shareholders' funds - Equity	14	59,904	60,116

The notes on pages 10 to 21 form part of these financial statements

The financial statements were approved by the board on 21 September 2006

Director

Director

Notes to the financial statements

at 31 July 2006

1. Accounting policies

Accounting convention

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

Change in accounting policies

In previous years the company recognised income on hire purchase and loan agreements using the sum of digits method Income on hire purchase and loan agreements is now recognised using the actuarial method

In previous years the company took a fixed percentage of finance charges relating to loans, leases and hire purchase agreements to income on inception The company no longer takes an initial percentage but recognises the total finance charges in the profit and loss account over the term of the agreement using the actuarial method

In previous years the company recognised documentation fees and commissions payable relating to loans, hire purchase and leases in full in the profit and loss account on inception Documentation fees and commissions payable are now deferred and recognised in the profit and loss account over the term of the loan, hire purchase or lease, in line with interest income

The effect of these changes in policy was to decrease shareholders' funds at 31 July 2004 by £4,228,000, to decrease profit for the year ended 31 July 2005 by £85,000, to decrease finance receivables by £12,428,000 at 31 July 2005 and to increase prepayments by £2,972,000, accruals by £1,394,000 and deferred tax asset by £1,848,000 at 31 July 2005

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

Hire purchase, finance leases and regulated loan agreements

Hire purchase, finance leases and regulated loan agreements are recognised as loans at the minimum instalment payments less finance charges Finance charges are taken to income by the actuarial method

Provisions

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

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

Notes to the financial statements

at 31 July 2006

1. Accounting policies (continued)

Operating leasing assets

Assets on hire to customers under operating lease agreements are treated as fixed assets The cost of assets on hire under operating lease agreements is depreciated on a straight line basis over the useful economic life of the asset Income from each lease is allocated to accounting periods over the lease term on a straight line basis

Investment in subsidiaries

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

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 Deferred tax balances are not discounted

Interest payable and similar charges

Interest payable comprises interest charged on bank loans, overdrafts and other loans together with the interest paid and received on interest rate swap agreements entered into for hedging purposes

Pensions

Contributions are made to a group defined benefit pension scheme for the funding of retirement benefits for each scheme member during their working life The company's contribution to defined benefit schemes is charged to the profit and loss account

Contributions to 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

Group accounting

The company has taken advantage of the exemption available under section 228 of the Companies Act 1985 from preparing group financial statements Accordingly these financial statements only contain information about Close Asset Finance Limited and not its subsidiary undertakings

Notes to the financial statements

at 31 July 2006

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 The analysis of turnover is as follows

	2006	*2005 as restated*
	£000	*£000*
Hire purchase	22,432	23,977
Lease finance	21,097	23,592
Regulated agreements	378	364
Operating Lease	1,307	744
Variable interest and other income	8,730	7,337
	53,944	56,014

3. Other income

	2006	*2005*
	£000	*£000*
Bank interest	28	47

4. Interest payable and similar charges

	2006	*2005*
	£000	*£000*
Bank loans, overdrafts and interest rate swap agreements - payable to group undertakings	18,551	19,881

5. Profit on ordinary activities before taxation

(a) This is stated after charging

	2006	*2005 as restated*
	£000	*£000*
Auditors' remuneration - as auditors	58	84
- other services	80	31
Depreciation of tangible fixed assets	329	288
Depreciation of assets held for operating leases	3,740	2,218
Staff costs including executive directors		
Wages and salaries	10,453	8,945
Social security costs	1,122	893
Other pension costs	503	488
Operating lease rentals payable Leasehold property rents	405	327

Notes to the financial statements

at 31 July 2006

5. Profit on ordinary activities before taxation (continued)

(b) Directors' remuneration

	2006 £000	2005 as restated £000
Emoluments	2,169	2,360
Compensation for loss of office	-	117
Company contributions paid to money purchase schemes	71	93
Members of money purchase pension schemes	5	6
Members of defined benefit pension schemes	2	2

The amounts in respect of the highest paid director are

	2006 £000	2005 as restated £000
Emoluments	661	627
Company contributions paid to money purchase schemes	25	25

(c) Directors' interest 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 2005	*Lapsed*	*Exercised*	*Granted*	*31 July 2006*
R H Stone	4,200	-	-	-	4,200
N T H Hamilton	3,221	-	-	-	3,221
N G Poxon	2,416	-	(2,416)	-	-
L Porter	2,416	-	(2,416)	-	-
S C F Chan	-	-	-	1,414	1,414

The interest of C D Keogh 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

Directors' Group share interest

Directors' interest in £1 loan stock of Close Brothers Limited were as follows

	31 July 2006	*1 August 2005*
R H Stone	27,000	27,000
N G Poxon	1,162,560	1,549,760

Notes to the financial statements

at 31 July 2006

5. Profit on ordinary activities before taxation (continued)

(c) Directors' interest in shares and share options

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

	31 July 2006	*1 August 2005*
N G Poxon	20,808	16,814
R H Stone	-	1,040
N T H Hamilton	6,662	11,386
L Porter	2,416	-

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

	31 July 2006	*1 August 2005*
N G Poxon	-	1,578
R H Stone	-	1,578
N T H Hamilton	-	1,287

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 2006	*1 August 2005*
N G Poxon	41,350	116,600
R H Stone	94,950	131,200
N T H Hamilton	51,850	80,600
S P Bishop	5,000	5,000
S C F Chan	5,000	5,000

The interests of C D Keogh 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

	2006 No	*2005 No*
Office and management	52	45
Sales and collections	77	70
	129	115

Notes to the financial statements

at 31 July 2006

6. Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2006	2005 as restated
	£000	£000
Current Tax		
UK corporation tax	999	2,464
Corporation tax underprovided in prior year	1,245	91
Total current tax (note 6(b))	2,244	2,555
Deferred Tax		
Deferred tax - current year	749	382
Prior year adjustment - deferred tax	(23)	(53)
Total deferred tax (note 11)	726	329
Tax on profit on ordinary activities	2,970	2,884

(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% (2005 - 30%) The differences are reconciled below

	2006	2005 as restated
	£000	£000
Profit before tax	11,423	9,554
Expected tax charge at 30%	3,427	2,866
Expenses not deductible for tax purposes	150	142
Capital allowances less than/(in excess of) depreciation	181	(269)
Short term timing differences	(46)	(215)
Accounting policy restatement	(999)	-
Tax underprovided in previous years	1,245	91
Intercompany dividend	(1,445)	(60)
Other	(269)	-
Corporation tax charge (note 6(a))	2,244	2,555

Notes to the financial statements

at 31 July 2006

7. Fixed assets

	Motor vehicles £000	*Fixtures, fittings and computer equipment £000*	*Assets held for operating leases £000*	*Total £000*
Cost				
At 1 August 2005	535	826	17,623	18,984
Additions	243	830	13,078	14,151
Disposals	(241)	-	(4,335)	(4,576)
At 31 July 2006	537	1,656	26,366	28,559
Depreciation				
At 1 August 2005	158	370	2,830	3,358
Charge for the year	135	194	3,740	4,069
Disposals	(143)	-	(820)	(963)
At 31 July 2006	150	564	5,750	6,464
Net book value				
At 31 July 2006	387	1,092	20,616	22,095
At 31 July 2005	377	456	14,793	15,626

8. Investments

	Subsidiary undertakings £000
Cost	
At 1 August 2005	19,699
Additions	118
Disposals	(23)
At 31 July 2006	19,794
Impairment	
At 1 August 2005	60
Charge for the year	118
At 31 July 2006	178
Net book value	
At 31 July 2006	19,616
At 31 July 2005	19,639

Notes to the financial statements

at 31 July 2006

8. Investments (continued)

On 3 January 2006 the company acquired an additional 9% of the ordinary share capital of Braemar Finance Limited The directors consider this investment to be impaired and accordingly it was fully written down at 31 July 2006

During the year the company received a reduction in the consideration paid for Kingston Asset Finance Limited under an indemnity claim

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

Name of company	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings - all held by the company unless indicated				
Air and General Finance Limited	England and Wales	Ordinary shares	100%	Financing
Air and General Marketing Limited (*)	England and Wales	Ordinary shares	100%	Financing
Air and General Services 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	100%	Financing
Commercial Finance Credit Limited (**)	England and Wales	Ordinary shares	100%	Financing
Kingston Asset Finance Limited	England and Wales	Ordinary shares	100%	Financing
Kingston Asset Leasing Limited (+)	England and Wales	Ordinary shares	100%	Financing

(*) shares held by Air and General Finance Limited
(**) shares held by Surrey Asset Finance Limited
(+) shares held by Kingston Asset Finance Limited

Notes to the financial statements

at 31 July 2006

9. Debtors

	2006 £000	2005 as restated £000
Finance receivables	360,220	400,478
Other debtors	3,819	7,351
Current corporation tax	2,374	1,353
Prepayments	2,845	4,289
Deferred tax (note 11)	3,817	4,548
	373,075	418,019

Amounts falling due after more than one year included above are

	2006 £000	2005 as restated £000
Finance receivables	234,591	265,469

Included in finance receivables are the following amounts

	Gross 2006 £000	Unearned charges 2006 £000	Net 2006 £000	Net 2005 as restated £000
HP agreements				
within one year	85,691	18,622	67,069	69,736
after one year	155,619	20,664	134,955	141,816
	241,310	39,286	202,024	211,552
Finance leases				
within one year	72,511	15,243	57,268	63,965
after one year	111,614	13,612	98,002	122,238
	184,125	28,855	155,270	186,203
Regulated loans				
within one year	1,582	290	1,292	1,308
after one year	1,837	203	1,634	1,415
	3,419	493	2,926	2,723
Total				
within one year	159,784	34,155	125,629	135,009
after one year	269,070	34,479	234,591	265,469
	428,854	68,634	360,220	400,478

Notes to the financial statements

at 31 July 2006

10. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2006 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £717,714,000 (2005 - £863,741,000)

11. Deferred taxation

	Capital allowances		*Short term and other timing differences*		*Total*	
	2006	*2005 as restated*	*2006*	*2005 as restated*	*2006*	*2005 as restated*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Total deferred tax asset	4,106	4,661	(289)	(118)	3,817	4,543

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

	£000
At 1 August 2005 (as restated)	4,543
Deferred tax charge in the profit and loss account (note 6(a))	(726)
At 31 July 2006 (note 9)	3,817

12. Creditors: amounts falling due within one year

	2006	*2005 as restated*
	£000	*£000*
Bank overdrafts	721	1,367
Trade creditors	15,731	19,509
Amounts due to parent undertaking	326,706	359,610
Amounts due to group undertakings	4,522	4,251
Other taxes and social security costs	1,242	298
Accruals and deferred income	6,717	7,023
Proposed final dividend	-	1,500
	355,639	393,558

Notes to the financial statements

at 31 July 2006

13. Called up share capital

	Authorised, allotted and fully paid up	
	2006	*2005*
	£000	*£000*
Ordinary shares of £1 each		
"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

14. Reconciliation of movements in shareholders' funds and reserves

	Share capital £000	*Share premium £000*	*Profit and loss account £000*	*Total shareholders' funds £000*
At 1 August 2004 as previously reported	1,208	3,757	55,098	60,063
Prior year adjustment (note 1)	-	-	(4,228)	(4,228)
At 1 August 2004 (as restated)	1,208	3,757	50,870	55,835
Profit for the financial year	-	-	4,281	4,281
At 1 August 2005 (as restated)	1,208	3,757	55,151	60,116
Loss for the financial year	-	-	(212)	(212)
At 31 July 2006	1,208	3,757	54,939	59,904

Notes to the financial statements

at 31 July 2006

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 £503,000 (2005 - £488,000)

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 2006 is 32 5% and for future years is 32 5% 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

At 31 July 2006 the company had outstanding pension contributions of £5,000 (2005 - £1,600) relating to the defined contribution schemes and £25,000 (2005 - £64,000 prepayment) relating to the defined benefit scheme

16. Financial commitments

The annual commitment under non cancellable operating leases was as follows

	2006	*2005*
	£000	*£000*
Land and buildings		
Leases expiring		
Within one year	29	-
Between two and five years	261	273
After five years	115	88
	405	361

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 2006 was £180 million (2005 - £263 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. 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