

Close Asset Finance Limited

Report and Financial Statements

31 July 2007

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COMPANIES HOUSE

Close Asset Finance Limited

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 2007

Results and dividends

The trading profit before taxation amounted to £12,622,000 (2006 - £11,423,000) Interim and final dividends totalling £12,035,000 were paid during the year (2006 - £8,665,000)

Principal activities and review of the business

The company is a wholly owned subsidiary of Close Brothers Group plc ("CBG") and operates as part of CBG's Banking division

The company's principal activity is the provision of instalment credit to business customers The company has achieved satisfactory results in the year

As shown in the company's profit and loss account on page 7, income has decreased by 4% compared to the prior year, however profit before tax has increased by 10% over the same period The balance sheet on page 8 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

During the year the company acquired 75.1% of Close Brewery Rentals Limited ("CBR") by way of subscription for new shares in CBR CBR will be providing finance to the smaller specialist breweries sector

The directors are contemplating acquiring the whole trade and associated assets and liabilities of certain of its subsidiaries as going concerns and to continue to grow those businesses as divisions of the company

Otherwise, the directors plan to continue with the present strategy of growing the existing business organically and through selective acquisitions

Risk management

Credit risk is one of the principal risks the company faces Credit risk at inception of new lending is controlled by a number of senior managers operating within a framework of delegated underwriting authorities In addition, arrears and other default-related information is monitored and discussed regularly by directors and other senior managers, and mitigating actions are taken in a timely manner where appropriate

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

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

Corporate Social Responsibility

CBG recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities The company operates within the group's Corporate Social Responsibility statement, which is described in the group's Annual Report Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption Approximately 8.8 tonnes of paper were recycled during the year as part of this initiative (2006 - 12 tonnes)

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 policies 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.

Directors

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

Charitable contributions

During the year, the company made various charitable contributions totalling £2,625 (2006 - £1,300)

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 18 creditor days of suppliers' invoices outstanding at the year end (2006 - 37)

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 Annual Report and the financial statements in accordance with applicable law and regulations

Company Law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statement in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law). The financial statements are required by law to 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 judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that 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.

The directors are responsible for maintenance and integrity of financial information included in the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2007 which comprise the Profit and Loss account, Statement of Total Recognised Gains and Losses, Balance sheet and related notes 1 to 20. 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.

In addition we 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.

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 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.

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 2007 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
Date

Profit and loss account

for the year ended 31 July 2007

		2007	2006
	Notes	£000	£000
Turnover	2	51,702	53,944
Operating costs		(25,613)	(28,695)
Operating profit		26,089	25,249
Income from investments		3,750	4,815
Other income	3	72	28
Interest payable and similar charges	4	(17,289)	(18,551)
Amounts written off investments		-	(118)
Profit on ordinary activities before taxation	5	12,622	11,423
Taxation	6	175	(2,970)
Profit on ordinary activities after taxation		12,797	8,453
Dividends paid in the year		(12,035)	(8,665)
Retained profit / (loss)	14	762	(212)
Retained profit brought forward		54,939	55,151
Retained profit carried forward	14	55,701	54,939

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

The statement of movements on reserves is shown in note 14 to the financial statements

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

Balance sheet

at 31 July 2007

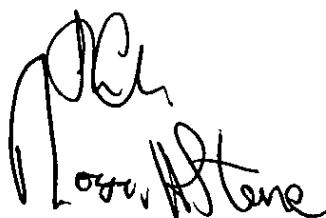
	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	7	10,577	22,095
Investments	8	19,778	19,616
		<u>30,355</u>	<u>41,711</u>
Current assets			
Debtors - amounts falling due within one year	9	134,217	138,782
- amounts falling due after more than one year	9	204,325	234,591
Cash at bank and in hand		502	459
		<u>339,044</u>	<u>373,832</u>
Creditors: amounts falling due within one year	12	(308,733)	(355,639)
Net current assets		<u>30,311</u>	<u>18,193</u>
Total assets less current liabilities		<u>60,666</u>	<u>59,904</u>
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	55,701	54,939
Shareholders' funds - Equity	14	<u>60,666</u>	<u>59,904</u>

The notes on pages 9 to 21 form part of these financial statements

The financial statements were approved by the board on 20 September 2007

Director

Director



Notes to the financial statements

at 31 July 2007

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

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	- 20% - 33% 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

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

Notes to the financial statements

at 31 July 2007

1. Accounting policies (continued)

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.

Share-based payments

Close Brothers Group plc, the company's ultimate parent undertaking, has for many years operated long term incentive arrangements in which the company participates. These include the 2004 Long Term Incentive Plan ("LTIP"), the 1995 Executive Share Option Scheme and the Inland Revenue approved Savings Related Share Option Scheme, together "Incentive Schemes". FRS 20 has been applied to all grants of equity instruments under these Incentive Schemes after 7th November, 2002.

The expense for these Incentive Schemes is measured by reference to the fair value of the shares or share options granted on the date of grant. Such fair values are determined using a stochastic (the Monte Carlo method) pricing model for the LTIP and the Black-Scholes pricing model for the others. Both models take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the company's share price over the life of the option/award and other relevant factors. Vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of equity instruments included in the measurement of the transaction such that the amount recognised reflects the number that actually vest. The fair value is expensed in the income statement of the company on a straight line basis over the vesting period.

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.

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:

	2007 £000	2006 £000
Hire purchase	21,319	22,432
Lease finance	17,624	21,097
Regulated agreements	521	378
Operating Lease	660	1,307
Variable interest and other income	11,578	8,730
	<u>51,702</u>	<u>53,944</u>

Notes to the financial statements

at 31 July 2007

3. Other income

	2007	2006
	£000	£000
Bank interest	72	28

4. Interest payable and similar charges

	2007	2006
	£000	£000
Bank loans, overdrafts and interest rate swap agreements - payable to group undertakings	17,289	18,551

5. Profit on ordinary activities before taxation

(a) This is stated after charging

	2007	2006
	£000	£000
Auditors' remuneration - as auditors	50	58
- other services	61	80
Depreciation of tangible fixed assets	557	329
Depreciation of assets held for operating leases	2,368	3,740
Staff costs including executive directors		
Wages and salaries	9,593	10,453
Social security costs	1,198	1,122
Other pension costs	432	503
Share based awards	303	257
Operating lease rentals payable Leasehold property rents	235	405

(b) Directors' remuneration

	2007	2006
	£000	£000
Emoluments	2,272	2,169
Company contributions paid to money purchase schemes	71	71

	No	No
Members of money purchase pension schemes	5	5
Members of defined benefit pension schemes	2	2

The amounts in respect of the highest paid director are

	£000	£000
Emoluments	703	661
Company contributions paid to money purchase schemes	25	25

Notes to the financial statements

at 31 July 2007

5. Profit on ordinary activities before taxation (continued)

(c) Employee numbers

The average number of employees during the year was

	2007 <i>No</i>	2006 <i>No</i>
Office and management	63	52
Sales and collections	57	77
	<u>120</u>	<u>129</u>

6. Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2007 <i>£000</i>	2006 <i>£000</i>
<i>Current Tax</i>		
UK corporation tax	4,072	999
Corporation tax underprovided in prior year	(3,961)	1,245
Total current tax (note 6(b))	<u>111</u>	<u>2,244</u>
<i>Deferred Tax</i>		
Deferred tax - current year	(1,368)	749
Prior year adjustment - deferred tax	1,082	(23)
Total deferred tax (note 11)	<u>(286)</u>	<u>726</u>
Tax on profit on ordinary activities	<u>(175)</u>	<u>2,970</u>

Notes to the financial statements

at 31 July 2007

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

	2007 £000	2006 £000
Profit before tax	12,622	11,423
Expected tax charge at 30%	3,787	3,427
Expenses not deductible for tax purposes	97	150
Capital allowances less than/(in excess of) depreciation	1,629	181
Movement in general provisions	(311)	(207)
Movement in deferred bonus	81	161
Capital gain	-	29
Deduction for share options exercised in the year	(86)	(298)
Accounting policy restatement	-	(999)
Tax (over)/underprovided in previous years	(3,961)	1,245
Intercompany dividend	(1,125)	(1,445)
Corporation tax charge (note 6(a))	111	2,244

Notes to the financial statements

at 31 July 2007

7. Fixed assets

	<i>Motor vehicles</i>	<i>Fixtures, fittings and computer equipment</i>	<i>Assets held for operating leases</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost				
At 1 August 2006	537	1,656	26,366	28,559
Intercompany transfer	-	-	(14,064)	(14,064)
Additions	172	1,749	3,580	5,501
Disposals	(316)	-	(4,792)	(5,108)
At 31 July 2007	393	3,405	11,090	14,888
Depreciation				
At 1 August 2006	150	564	5,750	6,464
Intercompany transfer	-	-	(3,604)	(3,604)
Charge for the year	109	448	2,368	2,925
Disposals	(137)	-	(1,337)	(1,474)
At 31 July 2007	122	1,012	3,177	4,311
Net book value				
At 31 July 2007	271	2,393	7,913	10,577
At 31 July 2006	387	1,092	20,616	22,095

8. Investments

	<i>Subsidiary undertakings</i>
	<i>£000</i>
Cost	
At 1 August 2006	19,794
Additions	771
Reduction in consideration paid for Kingston Asset Finance Limited	(609)
At 31 July 2007	19,956
Impairment	
At 1 August 2006	178
Charge for the year	-
At 31 July 2007	178
Net book value	
At 31 July 2007	19,778
At 31 July 2006	19,616

Notes to the financial statements

at 31 July 2007

8. Investments (continued)

On 2 May 2007 the company acquired 75 1% LHE Professions Limited (now renamed Close Brewery Rentals Limited) by way of a subscription of new shares

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

<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 - all held by the company unless indicated</i>				
Air and General Finance Limited	England and Wales	Ordinary shares	100%	Financing
Close Marine Finance Limited (*)	England and Wales	Ordinary shares	100%	Financing
Close Asset Finance (T&E) 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
Close Brewery Rentals Limited	England and Wales	Ordinary shares	75 1%	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 2007

9. Debtors

	<i>Amounts falling due within one year</i>		<i>Amounts falling due after more than one year</i>	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Finance receivables	117,522	125,629	204,325	234,591
Other debtors	2,976	3,819	-	-
Amounts owed by group undertakings	6,200	-	-	-
Current corporation tax	-	2,672	-	-
VAT debtor	541	-	-	-
Prepayments	3,088	2,845	-	-
Deferred tax (note 11)	3,890	3,817	-	-
	<u>134,217</u>	<u>138,782</u>	<u>204,325</u>	<u>234,591</u>

Included in finance receivables are the following amounts

	<i>Gross</i>		<i>Unearned charges</i>		<i>Net</i>	
	2007	2007	2007	2006	2007	2006
	£000	£000	£000	£000	£000	£000
HP agreements						
within one year	84,866	17,241	67,625	67,069		
after one year	135,818	16,989	118,829	134,955		
	<u>220,684</u>	<u>34,230</u>	<u>186,454</u>	<u>202,024</u>		
Finance leases						
within one year	61,925	13,577	48,348	57,268		
after one year	95,689	12,502	83,187	98,002		
	<u>157,614</u>	<u>26,079</u>	<u>131,535</u>	<u>155,270</u>		
Regulated loans						
within one year	1,978	429	1,549	1,292		
after one year	2,713	404	2,309	1,634		
	<u>4,691</u>	<u>833</u>	<u>3,858</u>	<u>2,926</u>		
Total						
within one year	148,769	31,247	117,522	125,629		
after one year	234,220	29,895	204,325	234,591		
	<u>382,989</u>	<u>61,142</u>	<u>321,847</u>	<u>360,220</u>		

10. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2007 of assets acquired for the purpose of letting under hire purchase contracts or finance leases was £625,071,000 (2006 - £717,714,000)

Notes to the financial statements

at 31 July 2007

11. Deferred taxation

	<i>Capital allowances</i>		<i>Short term and other timing differences</i>		<i>Total</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Total deferred tax asset	3,223	4,106	667	(289)	3,890	3,817

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

	<i>£000</i>
At 1 August 2006	3,817
Deferred tax credit in the profit and loss account (note 6(a))	286
Intercompany transfer	(213)
At 31 July 2007 (note 9)	3,890

12. Creditors: amounts falling due within one year

	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
Bank overdrafts	92	721
Trade creditors	11,031	15,731
Amounts due to parent undertaking	290,802	326,706
Amounts due to group undertakings	303	4,522
Current corporation tax	1,217	-
Other taxes and social security costs	10	1,242
Accruals and deferred income	5,278	6,717
	308,733	355,639

13. Called up share capital

	<i>Authorised, allotted and fully paid up</i>	
	<i>2007</i>	<i>2006</i>
	<i>£000</i>	<i>£000</i>
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

Notes to the financial statements

at 31 July 2007

14. Reconciliation of movements in shareholders' funds and reserves

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 1 August 2006	1,208	3,757	54,939	59,904
Profit for the financial year	-	-	762	762
At 31 July 2007	1,208	3,757	55,701	60,666

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 £432,000 (2006 - £503,000).

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 2007 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 2006.

At 31 July 2007 the company had outstanding pension contributions of £nil (2006 - £5,000) relating to the defined contribution schemes and £2,000 (2006 - £25,000) relating to the defined benefit scheme.

16. Financial commitments

The annual commitment under non cancellable operating leases was as follows

	<i>2007 £000</i>	<i>2006 £000</i>
Land and buildings		
Leases expiring		
Within one year	277	29
Between two and five years	18	261
After five years	115	115
	<u>410</u>	<u>405</u>

Notes to the financial statements

at 31 July 2007

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 2007 was £6 million (2006 - £180 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

20. Share-based awards

Close Brothers Group plc ("the Group") has for many years operated long-term performance related incentive arrangements. These include the 2004 Long Term Incentive Plan (the "2004 LTIP"), approved by shareholders in 2004, the 1995 Executive Share Option Scheme ("the 1995 Scheme"), approved by shareholders in 1995 and the Inland Revenue approved Savings Related Share Option Scheme ("the SAYE Scheme"). Grants under the 2004 LTIP and SAYE Scheme are made annually and are expected to continue for the foreseeable future. No further grants will be made under the 1995 Scheme.

The 2004 LTIP is based on a conditional award of free shares subject to demanding performance conditions. Grants are restricted to a maximum of twice an individual's salary in any one year. Performance conditions for each award are determined by the Group's Remuneration Committee ("the Committee") at the time of each grant. Performance is measured over a single period of three years with no re-testing.

The performance conditions under the 2004 LTIP are a range of earnings per share ("EPS") growth targets for two thirds of an award and relative Total Shareholder Return ("TSR") targets for the remaining one third. The Committee considers that this mix of targets provides an appropriate balance between rewarding improvements in group's financial performance, while also recognising relative stock market performance. Performance criteria will be calculated by the Committee.

The EPS element of the awards will only vest if EPS growth is at or above an average of retail price index ("RPI") +5% per annum over the period. 25% of this part of the award vests at the RPI +5% threshold, increasing on a straight-line basis up to 100% vesting when the average EPS growth is RPI +10%.

For the TSR element, performance is measured against a group of 24 companies drawn from the FTSE-350 Speciality and Other Financial Index and the FTSE-350 Banks Index. This part of the award will only vest if the group's TSR performance is at or above the median of the comparator group. 25% of this part of the award vests for median TSR performance, increasing on a straight line basis up to 100% vesting when the company's TSR performance is at the 20th percentile (ie top fifth) of the comparator group.

Under the 1995 Scheme 50% of each grant of options has been subject to a performance condition requiring average EPS growth of RPI +4% per annum over any three year period during the ten year life of the option. The remaining 50% has been subject to the achievement of a performance condition requiring the group's EPS growth over any five year period during the life of the option to be in the top 25% of FTSE-100 companies.

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20. Share-based awards (continued)

All employees are entitled to participate in the SAYE Scheme on the same terms and options are granted for a fixed contract period of three or five years, usually at a discount of 20% to the mid-market price

The following share-based awards have been granted under the SAYE Scheme, 1995 Executive Share Option Scheme and 2004 LTIP

Year of Grant	Exercise period	Market price upon exercise ¹	Exercise price per share	Number of options					At 31 July 2007
				At 1 August 2006	Granted	Exercised	Forfeited	Lapsed	
1997	30th Oct 2002 to 29th Oct 2007	-	482 5p	43,500	-	-	-	-	43,500
1998	7th Oct 2003 to 6th Oct 2008	-	417 5p	73,000	-	-	-	-	73,000
1999	3rd Nov 2002 to 2nd Nov 2009	1044 8p	779 5p	40,000	-	30,000	-	-	10,000
1999	3rd Nov 2004 to 2nd Nov 2009	-	779 5p	56,250	-	-	-	-	56,250
2000	23rd Oct 2003 to 22nd Oct 2010	-	1125 0p	37,580	-	-	-	-	37,580
2000	23rd Oct 2005 to 22nd Oct 2010	-	1125 0p	37,580	-	-	-	-	37,580
2001	26th Sep 2004 to 25th Sep 2011	1046 0p	560 0p	20,000	-	12,500	-	-	7,500
2001	26th Sep 2006 to 25th Sep 2011	-	560 0p	42,500	-	-	-	-	42,500
2001	1st Dec 2006 to 31st May 2007	979 0p	438 0p	5,742	-	5,742	-	-	-
2002	8th Oct 2007 to 7th Oct 2012	-	450 0p	36,500	-	-	-	-	36,500
2002	1st Dec 2007 to 31st May 2008	-	391 0p	33,264	-	-	-	-	33,264
2003	7th Oct 2006 to 6th Oct 2013	1040 0p	732 5p	44,000	-	27,500	-	-	16,500
2003	7th Oct 2008 to 6th Oct 2013	-	732 5p	44,000	-	-	2,500	-	41,500
2003	1st Dec 2006 to 31st May 2007	976 6p	586 0p	3,885	-	3,571	-	314	-
2003	1st Dec 2008 to 31st May 2009	-	586 0p	3,352	-	-	1,622	-	1,730
2004	7th Oct 2007 to 6th Oct 2014	-	675 0p	26,500	-	-	2,500	-	24,000
2004	7th Oct 2009 to 6th Oct 2014	-	675 0p	26,500	-	-	2,500	-	24,000
2004	1st Dec 2007 to 31st May 2008	1012 2p	540 0p	14,258	-	3,249	1,051	1,311	8,647
2004	1st Dec 2009 to 31st May 2010	-	540 0p	4,284	-	-	-	-	4,284
2004	28th Oct 2007 to 27th Oct 2008	-	0 0p	47,892	-	-	-	-	47,892
2005	1st Dec 2008 to 31st May 2009	-	661 0p	19,700	-	-	1,979	-	17,721
2005	1st Dec 2010 to 31st May 2011	-	661 0p	3,409	-	-	-	-	3,409
2005	3rd Oct 2008 to 2nd Oct 2009	-	0 0p	39,469	-	-	-	-	39,469
2006	1st Dec 2009 to 31st May 2010	-	807 0p	-	8,276	-	1,171	-	7,105
2006	1st Dec 2011 to 31st May 2012	-	807 0p	-	5,071	-	-	1,311	3,760
2006	2nd Oct 2009 to 1st Oct 2010	-	0 0p	-	32,606	-	-	-	32,606
				703,165	45,953	82,562	13,323	2,936	650,297

¹ The market price upon exercise was determined by the weighted average of the closing mid market share price on the day of each exercise during the year

² Options exercisable at 31 July 2007

The general terms and conditions for the three schemes, which are all share settled, are summarised above

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20. Share-based awards (continued)

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2007 was 631p (2006 - 479p). The main assumptions for the valuation of these share-based awards comprised

Exercise period	Share price at issue	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
1st December, 2009 to 31st May, 2010	1009.0p	24%	3.0	3.8%	4.9%
1st December, 2011 to 31st May, 2012	1009.0p	29%	5.0	3.8%	4.8%
2nd October, 2009 to 1st October, 2010	1008.0p	24%	3.0	3.8%	-

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant. The total liability as at 31 July 2007 for share-based payment is £394,069 (2006 - £444,137).