Close Brothers Group plc

Embargoed for release 7.00 am on Monday 3 March 2008

CLOSE BROTHERS GROUP plc

The specialist merchant banking group

announces

INTERIM RESULTS 2008

Financial Highlights
for the six months ended 31 January 2008

	First half 2008	First half 2007	
Operating profit before tax	**£69.8m**	£97.8m	**-29%**
Basic earnings per share	**31.4p**	46.8p	**-33%**
*Operating profit before exceptional items, goodwill impairment and tax	**£75.3m**	£76.7m	**-2%**
*Adjusted earnings per share	**35.1p**	36.8p	**-5%**
Profit attributable to shareholders	**£46.7m**	£68.9m	**-32%**
Dividend per share	**13.5p**	12.0p	**+13%**
Shareholders' funds	**£0.7bn**	£0.7bn	
Total assets	**£5.4bn**	£4.8bn	**+12%**

*Reported for the first time is operating profit before exceptional items, goodwill impairment and tax and the corresponding adjusted earnings per share to enable consistent comparison of underlying performance with prior periods. Detailed disclosure of adjusting items is given in the notes to the financial statements at note 3 on segmental information, note 4 on exceptional items and note 5 on earnings per share.

Operational Highlights
for the six months ended 31 January 2008

Asset Management profit of £18.0 million. FUM down 2% on last year end to £8.9 billion.

Corporate Finance profit of £4.6 million reflecting a quieter period in the UK.

Securities profit of £23.8 million. Strong contribution from Mako, our new associate.

Banking profit of £37.7 million. Loan book up 8% on last year to £2.0 billion. Deposits up 20% on last year to £2.4 billion.

Colin Keogh, Chief Executive, commenting on the results said:

"The first half performance has been resilient against a backdrop of challenging market and trading conditions."

Enquiries to:

Colin Keogh	Close Brothers Group plc	020 7426 4000
Justin Clark	Close Brothers Group plc	020 7426 4000
Emma Burdett	Maitland	020 7379 5151
Anthony Silverman	Maitland	020 7379 5151

Webcast video interview with Colin Keogh, Chief Executive and Jonathan Howell, Finance Director, Close Brothers Group plc at www.closebrothers.co.uk and www.cantos.com

Chairman and Chief Executive's Statement

INTRODUCTION

The first six months of our 2008 financial year has been an eventful period. The group received an unsolicited takeover approach and our markets have been impacted by the effects of the credit crunch. In addition, equity markets have been volatile against a background of a deteriorating economic picture in the US, the UK and Europe. Against this backdrop we are pleased to report a sound set of results with no exposure to sub prime mortgages or structured products such as Structured Investment Vehicles ("SIVs") and Collateralised Debt Obligations ("CDOs").

THE RECENT OFFER PERIOD

On 8 November 2007 we received an unsolicited approach for the group. Since that time we have been in an Offer Period as defined by the Takeover Code. During this period we received a number of other approaches and have entered into detailed discussions with several parties. These discussions were held against the background of steadily deteriorating credit and stock markets and, as a result, no bidder has been able to deliver a firm, fully financed, offer for the board to consider or which we could put to our shareholders. This has been an unsettling period for our employees, clients and customers and after this prolonged period of uncertainty, the board decided to terminate all such discussions.

RESULTS

Operating profit before exceptional items, goodwill impairment and tax for the six months ended 31 January 2008 was £75.3 million (2007: £76.7 million), down 2%. Operating profit before tax was £69.8 million (2007: £97.8 million), down 29%.

Exceptional expense items for the period were £5.5 million relating to advisers' fees incurred during the offer period. In the six months ended 31 January 2007 exceptional revenue items were £21.1 million in the Asset Management division relating to investment gains and private equity performance fees.

Adjusted earnings per share for the period was 35.1p (2007: 36.8p), down 5%. Basic earnings per share was 31.4p (2007: 46.8p), down 33%.

The directors have declared an interim dividend per share of 13.5p, an increase of 13% in accordance with our policy of sustainable and progressive dividend growth. This is payable on 16 April 2008 to shareholders on the register at the close of business on 14 March 2008.

STRATEGY REVIEW

During the offer period, the board, together with its financial advisers, undertook a review of the group's strategy to identify the best options for delivering shareholder value.

In this review, five main options were evaluated: the sale of the whole group; a break-up and separate sale of each of the divisions of the group; sale of one or more of the divisions; a return of capital to shareholders based on an increase in gearing; and finally, further development as an independent broadly based financial services group.

The first option, the sale of the whole group, offered shareholders an opportunity to crystallise significant value with the least execution risk. As a result it was fully pursued but no firm, fully financed, offer was forthcoming.

The second, total break-up option was rejected because, in the judgement of the board and its advisers, this option carried extremely high execution risk and was unlikely to yield a better financial result for shareholders.

The board concluded that the third option, the sale of one or more of our divisions, was equally unattractive. In light of current market volatility, it was felt that it would not be possible to establish competitive tension in any business auction or reach close to fundamental value of any one business. The board also considered it unattractive to reduce the overall size of the group, at a time of considerable financial uncertainty and volatility.

The group is well capitalised and soundly financed with a strong balance sheet. This is an important strength which provides both resilience and flexibility in the current environment of reduced liquidity in the credit markets. Nonetheless, the board considered the option of gearing up the balance sheet and returning cash to shareholders. The board was not happy to increase the fundamental risk profile of the group at this juncture, nor did it wish to restrict the availability of capital to fund growth in the bank or attractively priced acquisition opportunities of the sort current market conditions are expected to provide. However, it will continue to keep the group's capital structure under review.

For all these reasons the board came to the clear conclusion that it was in the best interests of all shareholders that Close Brothers should continue to grow and develop as a broadly based financial services group. The board reviews its group strategy and structure on a regular basis.

THE WAY FORWARD

In the light of the events of the last few months it is important to reaffirm our strategy. This remains clear and consistent: actively to manage our distinctive, diverse, specialist and soundly financed businesses with a view to generating growth in profit, dividends and long term shareholder value. We believe strongly in the Close Brothers business model which has delivered good value to shareholders over the long term.

We have some specific actions planned to enhance profit growth. This will include:

- More rigorous capital management.
- Being more proactive in shifting capital from one division to another in response to growth opportunities.
- Adjusting the risk profile of the group in the light of future growth opportunities.
- Increasing the number and size of acquisitions of businesses both in the UK and internationally. We have both the ambition and resource to do this and, as expected in current market conditions, we are seeing an increasing number of acquisition opportunities at attractive valuations.
- Bringing a greater focus on costs at all levels.

We have always relied on the motivational effect of equity and for some time we have been considering whether existing remuneration arrangements, particularly for key management in our divisions, are effective to deliver the right business performance and behaviour and have sufficient retention effect. Recent events have highlighted the need to implement incentive arrangements which link reward to future increases in business value, provide significant staff retention incentives and provide "currency" to enable businesses to attract new employees. We are well advanced in the design of new equity type incentive arrangements.

OVERALL BUSINESS REVIEW

Against an exceptionally challenging background in both the overall trading environment and our specific circumstances we have produced a solid set of results. Divisional profit is shown in the table below:

	Operating profit before exceptional items, goodwill impairment and tax	
	First half 2008 £ million	First half 2007 £ million
Asset Management	**18.0**	21.6
Corporate Finance	**4.6**	7.4
Securities	**23.8**	20.4
Banking	**37.7**	37.4
Group	**(8.8)**	(10.1)
	75.3	76.7

Our key performance indicators excluding exceptional items and goodwill impairment remained broadly steady.

	First half 2008 %	First half 2007 %	Full year 2007 %
Operating margin	**30**	29	30
Expense/income ratio	**66**	67	67
Compensation ratio	**44**	45	43
Bad debt ratio	**1.0**	1.0	1.1

These results reflect a strong maiden contribution from Mako Global Derivatives Executive LLP ("Mako") which joined the group in October 2007 and which has had a small favourable impact on the operating margin and expense income ratio.

The compensation ratio in the period includes a commitment to "lock-in" payments in certain areas of the business necessitated by uncertainty caused by the offer period.

DIVISIONAL BUSINESS REVIEW

Funding and Liquidity

The group has maintained its policy of financing its customer loan book with capital and reserves, longer term deposits and committed facilities. We will continue to borrow long and lend short. The group has a broad spread of committed facilities with terms up to four years and has over £350 million of these facilities undrawn.

Customer deposits represent 121% of our loan book and have grown 20% over the last twelve months to £2.44 billion, compared with £2.03 billion at 31 January 2007.

We continue to operate a risk averse approach to treasury operations. Our treasury counterparties have, almost exclusively, a credit rating of AA or better. We have no exposure to sub prime mortgages, SIVs, CDOs or other structured products.

The group remains soundly financed in these times of reduced market liquidity.

Banking
Operating profit for the six months was slightly ahead of last year at £37.7 million (2007: £37.4 million) with operating margin steady at 38% (2007: 38%). Our loan book at 31 January 2008 was £2,006 million, 8% up on last year. We have seen no sign of deterioration in bad debt in the last six months and our bad debt charge remains steady at 1%.

There has been some increase in demand for our specialist lending services and products together with a reduction in competitive pressure in some areas as a result of the credit crunch.

Looking forward, we anticipate that there will be opportunities for both organic and acquired growth.

Asset Management
First half profit of £18.0 million represents a good result in what has been a turbulent six months for asset managers. Our broad spread of asset classes provides useful protection from stock market falls and the effect of declines in the property market has been blunted by the aggressive programme of sales undertaken last year. Nonetheless this has been a difficult period for raising new funds and the £0.7 billion of new funds raised was offset by a similar amount of redemptions, withdrawals and realisations. Overall market movements led to a 2% decline in FUM since 31 July 2007 to £8.9 billion.

We will continue to push ahead with our growth plans in this division whilst seeking to extract the benefits of the recent restructuring of the business. In addition, we will be looking to add scale where operational gearing benefits can be obtained.

Corporate Finance
Corporate Finance profit for the period was £4.6 million (2007: £7.4 million) reflecting a quieter period in the UK. Our French operation had an exceptionally strong six months and this was backed by a solid performance from Germany, with the UK more directly impacted by the market volatility and the uncertainty created by the offer period. M&A continued to dominate the mix, although looking forward we are seeing signs of an increase in restructuring activity.

This business has an excellent European mid-market position and is well diversified both by activity and geography. Our specialist restructuring and debt advisory business is well positioned to take advantage of the current market slowdown. We continue to seek to increase our corporate client base in all our geographies and to move towards a more unified business with a single, strong European franchise. With this objective we have increased our equity investment in our Spanish associate from 20% to 45% and in April 2008 we expect to acquire the remaining 17% of our French subsidiary.

Securities
The overall outcome for this division was satisfactory at £23.8 million (2007: £20.4 million). Weaker trading performances from Winterflood Securities ("Winterflood") and Close Brothers Seydler AG were compensated for by a strong contribution from our new associate, Mako, in which we invested last October.

Bargain numbers at Winterflood were slightly up compared to last year but volatile trading conditions in falling markets have led to a significant reduction in profit per bargain.

The securities business remains competitive. Generating growth in our biggest securities business, Winterflood, has been a challenge against a backdrop of margin pressure. However Winterflood has a strong core business and there are opportunities to diversify its franchise into other areas.

In December 2007 we launched Close Brothers Seydler Limited, a stock broking company specialising in marketing small and mid-cap German securities to London-based institutional investors. This business has got off to a good start and we will continue to broaden our exposure in this interesting area.

BOARD CHANGES
Peter Buckley retired from the board on 31 December 2007 and with effect from 1 January 2008 Jamie Cayzer-Colvin joined the board. Peter Buckley was appointed an alternate director to Jamie Cayzer-Colvin due to the latter convalescing after an operation. It is expected that Jamie Cayzer-Colvin will be able to take up his duties later this year.

We are pleased to welcome Jonathan Howell to the board as finance director. He joined us on 4 February 2008 from the London Stock Exchange Group plc.

OUTLOOK
The first half performance has been resilient against a backdrop of challenging market and trading conditions.

Ongoing difficult market conditions are likely to continue to affect business in our Securities and Corporate Finance divisions. We take comfort from the broad spread of our asset management activities although we expect raising new funds and attracting new assets in this climate to be difficult. We expect a solid second half performance from our banking businesses.

Overall, we expect the current trading performance to continue into the second half.

Condensed Income Statement
for the six months ended 31 January 2008

	Note	Six months ended 31 January		Year ended 31 July
		2008 Unaudited £ million	2007 Unaudited £ million	2007 Audited £ million
Interest and similar income		**180.2**	149.2	313.0
Interest expense and similar charges		**107.4**	76.8	165.6
Net interest income		**72.8**	72.4	147.4
Fees and commissions income		**140.8**	159.4	360.8
Fees and commissions expense		**(21.8)**	(24.5)	(54.1)
Gains less losses arising from dealing in securities		**45.1**	56.1	115.5
Share of profit of associates		**5.1**	0.2	0.9
Other operating income		**11.0**	20.4	36.3
Other income		**180.2**	211.6	459.4
Operating income before exceptional items		**253.0**	262.9	585.7
Exceptional income	4	**-**	21.1	21.1
Operating income		**253.0**	284.0	606.8
Administrative expenses		**167.2**	171.0	376.3
Impairment losses on loans and advances		**9.6**	9.1	21.5
Depreciation and amortisation		**6.4**	6.1	15.1
Impairment losses on goodwill		**-**	-	3.7
Total operating expenses before exceptional items and goodwill impairment		**177.7**	186.2	412.9
Exceptional expenses	4	**5.5**	-	-
Impairment losses on goodwill		**-**	-	3.7
Total operating expenses		**183.2**	186.2	416.6
Operating profit before exceptional items, goodwill impairment and tax		**75.3**	76.7	172.8
Exceptional items	4	**(5.5)**	21.1	21.1
Impairment losses on goodwill		**-**	-	(3.7)
Operating profit before tax		**69.8**	97.8	190.2
Tax		**21.2**	27.1	53.5
Profit after tax		**48.6**	70.7	136.7
Profit attributable to minority interests		**1.9**	1.8	3.8
Profit attributable to the shareholders of the company		**46.7**	68.9	132.9
Basic earnings per share	5	**31.4p**	46.8p	90.4p
Diluted earnings per share	5	**31.1p**	46.7p	89.8p
Ordinary dividend per share	6	**13.5p**	12.0p	37.0p
Special dividend per share	6	**-**	-	25.0p

All income and profits are in respect of continuing operations.

Condensed Balance Sheet
at 31 January 2008

	Note	31 January 2008 Unaudited £ million	31 January 2007 Unaudited £ million	31 July 2007 Audited £ million
Assets				
Cash and balances at central banks		**1.8**	1.4	1.6
Settlement accounts		**392.4**	551.0	624.9
Loans and advances to customers		**2,005.8**	1,863.2	1,962.5
Loans and advances to banks		**447.3**	736.6	577.9
Debt securities and equity shares – long trading positions		**85.0**	100.5	116.7
Financial instruments classified as available for sale		**790.1**	502.7	775.2
Certificates of deposit classified as loans and receivables		**1,107.6**	551.5	823.6
Equity shares valued at fair value through profit or loss		**16.9**	20.4	16.6
Floating rate notes held to maturity		**30.8**	25.8	27.9
Loans to money brokers against stock advanced		**132.2**	130.1	114.3
Other receivables		**55.1**	77.8	56.4
Interests in associates		**65.8**	1.1	1.5
Property, plant and equipment		**35.3**	43.0	37.4
Intangible assets – goodwill		**113.3**	113.9	113.2
Intangible assets – other		**6.7**	9.0	7.3
Deferred tax assets		**34.2**	27.0	27.8
Prepayments and accrued income		**89.1**	77.8	82.4
Derivative financial instruments		**6.1**	5.7	7.7
Total assets		**5,415.5**	4,838.5	5,374.9
Liabilities				
Settlement accounts		**379.1**	471.3	484.5
Deposits by customers		**2,435.4**	2,027.2	2,302.7
Deposits by banks		**213.0**	141.8	160.6
Debt securities and equity shares – short trading positions		**43.7**	70.1	67.0
Loans and overdrafts from banks		**973.9**	371.0	457.8
Promissory notes and other debt securities in issue		**18.6**	347.8	353.0
Loans from money brokers against stock advanced		**98.1**	152.5	185.0
Non-recourse borrowings		**167.0**	150.0	150.0
Subordinated loan capital		**75.0**	75.0	75.0
Other liabilities		**141.4**	154.0	192.4
Current tax liabilities		**14.4**	27.5	29.3
Accruals and deferred income		**126.2**	124.1	145.0
Derivative financial instruments		**8.8**	24.6	20.0
Total liabilities		**4,694.6**	4,136.9	4,622.3
Equity				
Called up share capital		**37.3**	36.8	36.8
Share premium account		**272.9**	263.0	264.6
Profit and loss account		**411.9**	386.3	432.4
ESOP trust reserve		**(22.9)**	(10.7)	(17.1)
Other reserves		**13.2**	18.0	28.6
Minority interests		**8.5**	8.2	7.3
Total equity	7	**720.9**	701.6	752.6
Total liabilities and equity		**5,415.5**	4,838.5	5,374.9

Condensed Statement of Recognised Income and Expense
for the six months ended 31 January 2008

	Six months ended 31 January		Year ended 31 July
	2008	2007	2007
	Unaudited	Unaudited	Audited
	£ million	£ million	£ million
Profit after tax	**48.6**	70.7	136.7
Currency translation differences	**2.3**	(0.6)	(0.7)
Cash flow hedging	**(4.4)**	(0.4)	1.4
Tax allowance on share option and deferred share awards	**2.2**	0.9	0.4
Movements on available for sale investments	**(12.5)**	(1.0)	4.8
	(12.4)	(1.1)	5.9
Total recognised income and expense	**36.2**	69.6	142.6
Attributable to minority interests	**1.9**	1.8	3.8
Attributable to shareholders	**34.3**	67.8	138.8
	36.2	69.6	142.6

Condensed Cash Flow Statement
for the six months ended 31 January 2008

		Six months ended 31 January		Year ended 31 July
		2008	2007	2007
	Note	**Unaudited**	Unaudited	Audited
		£ million	£ million	£ million
Net cash inflow from operating activities	8(a)	**329.3**	176.5	572.9
Net cash outflow from investing activities:				
Dividends paid to minority interests		**(0.5)**	(0.5)	(1.9)
Purchase of assets let under operating leases		**(2.5)**	(4.1)	(5.7)
Purchase of property, plant and equipment		**(3.8)**	(5.9)	(9.6)
Sale of property, plant and equipment		**4.2**	2.3	6.9
Purchase of intangible assets		**(1.0)**	(0.5)	(1.8)
Purchase of equity shares held for investment		**(20.7)**	(8.9)	(25.1)
Sale of equity shares held for investment		**6.4**	26.8	45.3
Minority interests acquired for cash		**(0.5)**	(4.7)	(10.2)
Purchase of subsidiaries and associates	8(b)	**(65.3)**	(9.4)	(12.4)
		(83.7)	(4.9)	(14.5)
Net cash inflow before financing		**245.6**	171.6	558.4
Financing activities:				
Issue of ordinary share capital including premium		**8.8**	3.4	5.0
Equity dividends paid		**(72.8)**	(31.9)	(49.3)
Interest paid on subordinated loan capital		**(2.8)**	(2.8)	(5.6)
Net increase in cash		**178.8**	140.3	508.5

Notes to the Financial Statements

This Interim Report for Close Brothers Group plc for the six months ended 31 January 2008 ("Interim Report 2008) was approved by its directors on 3 March 2008.

1. Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and in accordance with International Accounting Standard ("IAS") 34 – "Interim Financial Reporting". The condensed financial statements are consolidated incorporating the individual financial statements of Close Brothers Group plc and the entities it controls, using the acquisition method of accounting.

The accounting policies used are consistent with those set out in the Annual Report 2007. In addition an accounting policy to define exceptional items will be included in the Annual Report 2008 as follows:

"Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the income statement. The separate reporting of these items helps give an indication of the group's underlying performance."

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the Interim Report. Although these estimates and assumptions are based on management's best judgement at that date, actual results may differ from these estimates.

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. However, the information has been reviewed by the company's auditors, Deloitte & Touche LLP, and their report appears at the end of this report.

The financial information for the year ended 31 July 2007 contained within this Interim Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. A copy of those statutory accounts has been reported on by Deloitte & Touche LLP and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2. Related party transactions

Transactions with key management during the period are consistent with the disclosure in note 31 of the Annual Report 2007.

Notes to the Financial Statements

3. Segmental information

For the six months ended 31 January 2008

	Asset Management £ million	Corporate Finance £ million	Securities £ million	Banking £ million	Group £ million	**Total £ million**
Operating income before exceptionals	69.0	26.2	55.8	99.8	2.2	**253.0**
Operating expenses before exceptionals	51.0	21.6	32.0	62.1	11.0	**177.7**
Operating profit before exceptional items, goodwill impairment and tax	18.0	4.6	23.8	37.7	(8.8)	**75.3**
Exceptional items: Advisers' fees	-	-	-	-	(5.5)	**(5.5)**
Operating profit before tax	18.0	4.6	23.8	37.7	(14.3)	**69.8**

For the six months ended 31 January 2008, the operating income before exceptionals and the operating profit before tax of the Securities division included £4.5 million relating to its share of profit before tax of associates.

For the six months ended 31 January 2007

	Asset Management £ million	Corporate Finance £ million	Securities £ million	Banking £ million	Group £ million	Total £ million
Operating income before exceptionals	74.6	27.8	60.4	97.8	2.3	262.9
Operating expenses before exceptionals	53.0	20.4	40.0	60.4	12.4	186.2
Operating profit before exceptional items, goodwill impairment and tax	21.6	7.4	20.4	37.4	(10.1)	76.7
Exceptional items: Investment gains and private equity performance fees	21.1	-	-	-	-	21.1
Operating profit before tax	42.7	7.4	20.4	37.4	(10.1)	97.8

For the six months ended 31 January 2007, the operating profit before tax of the Asset Management division included investment gains and private equity performance fees of £26 million of which £21.1 million are treated as exceptional within the definition of the accounting policy for exceptional items referred to in note 1 of this Interim Report.

For the year ended 31 July 2007

	Asset Management £ million	Corporate Finance £ million	Securities £ million	Banking £ million	Group £ million	Total £ million
Operating income before exceptionals	177.5	77.2	128.0	197.8	5.2	585.7
Operating expenses before exceptionals	120.9	54.7	83.9	126.1	27.3	412.9
Operating profit before exceptional items, goodwill impairment and tax	56.6	22.5	44.1	71.7	(22.1)	172.8
Exceptional items: Investment gains and private equity performance fees	21.1	-	-	-	-	21.1
Goodwill impairment	-	-	-	-	(3.7)	(3.7)
Operating profit before tax	77.7	22.5	44.1	71.7	(25.8)	190.2

For the year ended 31 July 2007, the operating profit before tax of the Asset Management division included investment gains and private equity performance fees of £43 million of which £21.1 million are treated as exceptional within the definition of the accounting policy for exceptional items referred to in note 1 of this Interim Report.

Substantially all of the group's activities and revenue are located within the British Isles and the value of transactions between segments was minimal.

4. Exceptional items

	Six months ended 31 January		Year ended 31 July
	2008 Unaudited £ million	2007 Unaudited £ million	2007 Audited £ million
Exceptional income			
Investment gains and private equity performance fees	**-**	21.1	21.1
Exceptional expenses			
Advisers' fees in respect of potential offers for the group	**5.5**	-	-
Total exceptional items	**(5.5)**	21.1	21.1

5. Earnings per share

Earnings per share is presented on three bases: basic earnings per share; diluted earnings per share; and adjusted basic earnings per share. Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on the conversion or vesting of share options and share awards in issue during the period. Adjusted basic earnings per share excludes exceptional items and impairment losses on goodwill to enable comparison of the underlying earnings of the business with prior periods.

	Six months ended 31 January		Year ended 31 July
	2008 Unaudited	2007 Unaudited	2007 Audited
Basic earnings per share	**31.4p**	46.8p	90.4p
Diluted earnings per share	**31.1p**	46.7p	89.8p
Adjusted basic earnings per share	**35.1p**	36.8p	82.8p
	£ million	£ million	£ million
Profit attributable to shareholders	**46.7**	68.9	132.9
Adjustments:			
Exceptional items	**5.5**	(21.1)	(21.1)
Tax effect of exceptional items	**-**	6.3	6.3
Impairment losses on goodwill	**-**	-	3.7
Adjusted profit attributable to shareholders	**52.2**	54.1	121.8
Weighted average number of shares (million)	**148.9**	147.1	147.1
Effect of dilutive share options and awards (million)	**1.2**	0.4	0.9
Diluted weighted average number of shares (million)	**150.1**	147.5	148.0

6. Dividends

	Six months ended 31 January		Year ended 31 July
	2008 Unaudited £ million	2007 Unaudited £ million	2007 Audited £ million
Interim dividend for 2007 paid April 2007: 12p per ordinary share	**-**	-	17.4
Final dividend for 2007 paid November 2007: 25p (2006: 22p) per ordinary share	**36.4**	31.9	31.9
Special dividend for 2007 paid November 2007: 25p	**36.4**	-	-
Total dividends	**72.8**	31.9	49.3

An interim dividend relating to the six months ended 31 January 2008 of 13.5p, amounting to an estimated £19.7 million is proposed. This interim dividend, which is due to be paid in April 2008, is not reflected in this financial information.

7. Condensed statement of changes in equity

	Six months ended 31 January 2008 Unaudited £ million	Six months ended 31 January 2007 Unaudited £ million	Year ended 31 July 2007 Audited £ million
Called up share capital			
Opening balance	**36.8**	36.6	36.6
Exercise of options	**0.5**	0.2	0.2
Closing balance	**37.3**	36.8	36.8
Share premium account			
Opening balance	**264.6**	259.8	259.8
Exercise of options	**8.3**	3.2	4.8
Closing balance	**272.9**	263.0	264.6
Profit and loss account			
Opening balance	**432.4**	346.7	346.7
Profit attributable to shareholders	**46.7**	68.9	132.9
Dividends paid	**(72.8)**	(31.9)	(49.3)
Transfer from share-based awards reserve	**3.4**	1.7	1.7
Other movements	**2.2**	0.9	0.4
Closing balance	**411.9**	386.3	432.4
ESOP trust reserve			
Opening balance	**(17.1)**	(8.3)	(8.3)
Shares purchased	**(5.8)**	(2.6)	(9.0)
Shares released	**-**	0.2	0.2
Closing balance	**(22.9)**	(10.7)	(17.1)
Other reserves:			
Share-based awards reserve			
Opening balance	**14.8**	11.8	11.8
Charge to income statement	**2.6**	2.0	4.1
Transfer to profit and loss account	**(3.4)**	(1.7)	(1.7)
Movement relating to deferred share awards	**-**	(0.4)	0.6
Closing balance	**14.0**	11.7	14.8
Exchange movements reserve			
Opening balance	**0.2**	0.9	0.9
Currency translation differences	**2.3**	(0.6)	(0.7)
Closing balance	**2.5**	0.3	0.2
Cash flow hedging reserve			
Opening balance	**1.5**	0.1	0.1
Movement on derivatives	**(4.4)**	(0.4)	1.4
Closing balance	**(2.9)**	(0.3)	1.5
Available for sale reserve			
Opening balance	**12.1**	7.3	7.3
Movement on available for sale investments	**(12.5)**	(1.0)	4.8
Closing balance	**(0.4)**	6.3	12.1
Total other reserves	**13.2**	18.0	28.6
Minority interests			
Opening balance	**7.3**	7.4	7.4
Charge to income statement	**1.9**	1.8	3.8
Other movements	**(0.7)**	(1.0)	(3.9)
Closing balance	**8.5**	8.2	7.3
Total equity	**720.9**	701.6	752.6

8. Condensed cash flow statement

	Six months ended 31 January		Year ended 31 July
	2008	2007	2007
	Unaudited	Unaudited	Audited
	£ million	£ million	£ million
(a) Reconciliation of operating profit on ordinary activities before tax to net cash inflow from operating activities			
Operating profit on ordinary activities before tax	**69.8**	97.8	190.2
(Increase)/decrease in:			
Interest receivable and prepaid expenses	**(6.7)**	(14.7)	(19.3)
Net settlement accounts	**127.1**	(25.1)	(85.8)
Net debt securities and equity shares held for trading	**8.5**	10.1	(9.3)
Increase/(decrease) in interest payable and accrued expenses	**(18.8)**	(12.7)	6.6
Depreciation, amortisation and goodwill impairment losses	**6.4**	6.1	18.8
Net cash inflow from trading activities	**186.3**	61.5	101.2
(Increase)/decrease in:			
Debt securities held for liquidity	**6.0**	11.0	3.0
Loans and advances to customers	**(43.3)**	(1.2)	(100.4)
Loans and advances to banks not repayable on demand	**4.6**	0.5	(3.2)
Other assets less other liabilities	**(158.4)**	(32.1)	83.4
Increase/(decrease) in:			
Deposits by banks	**52.4**	(26.6)	(7.8)
Customer accounts	**132.7**	184.1	459.6
Bank loans and overdrafts	**516.1**	7.7	94.6
Non-recourse borrowings	**17.0**	-	-
Promissory notes and other debt securities in issue	**(350.0)**	(10.2)	(5.0)
Tax paid	**(34.1)**	(18.2)	(52.5)
Net cash inflow from operating activities	**329.3**	176.5	572.9
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries and associates			
Cash consideration in respect of current year purchases	**(61.9)**	(4.9)	(8.8)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(3.4)**	(4.5)	(6.1)
Net movement in cash balances	**-**	-	2.5
	(65.3)	(9.4)	(12.4)
(c) Analysis of changes in financing			
Share capital (including premium) and subordinated loan capital:			
Opening balance	**376.4**	371.4	371.4
Shares issued for cash	**8.8**	3.4	5.0
Closing balance	**385.2**	374.8	376.4
(d) Analysis of cash and cash equivalent balances			
Cash and balances at central banks	**1.8**	1.4	1.6
Loans and advances to banks repayable on demand	**446.9**	735.3	573.0
Floating rate notes classified as available for sale	**777.2**	498.3	756.5
Certificates of deposit classified as loans and receivables	**1,107.6**	551.5	823.6
	2,333.5	1,786.5	2,154.7

Principal Risks

The achievement of the group's strategic objectives is facilitated by its risk management and internal control systems which are designed to identify, monitor, measure and manage the principal financial and non-financial risks facing the group. These are set out in the Annual Report 2007 and on the group's website at www.closebrothers.co.uk/RiskManagement.asp.

The principal risks and uncertainties foreseen will include the following in the second six months of the year.

The board is committed to re-establishing confidence in a stable independent future for the group. In particular the group will continue to manage the potential impact of recent uncertainty over its future ownership on employees, clients, ongoing operations and new business opportunities.

Since the onset of reduced liquidity in the credit markets in August 2007, many of the markets in which the group operates have experienced difficult conditions and volatility. The group intends to maintain its well capitalised and soundly financed balance sheet which should provide resilience in these difficult markets.

Directors' Responsibility Statement

The directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the Interim Report 2008 includes a fair review of the information required by sections 4.2.7 and 4.2.8 of the Disclosure and Transparency Rules.

The directors of Close Brothers Group plc are listed in the Annual Report 2007 with the exception of the following changes in the period: On 28 September 2007 Peter Winkworth stepped down from the board, on 1 November 2007 James Williams retired from the board, on 31 December 2007 Peter Buckley retired from the board although on 9 January 2008 he was appointed as an alternate director to Jamie Cayzer-Colvin who was appointed to the board on 1 January 2008, and on 4 February 2008 Jonathan Howell was appointed to the board. A list of current directors is maintained and is available for inspection at the registered office of the company located at 10 Crown Place, London EC2A 4FT.

By order of the board

Independent Review Report

Independent Review Report to Close Brothers Group plc

We have been engaged by the company to review the condensed set of financial statements in the Interim Report 2008 for the six months ended 31 January 2008 which comprises the condensed income statement, the condensed balance sheet, the condensed statement of recognised income and expense, the condensed cash flow statement and related notes 1 to 8. We have read the other information contained in the Interim Report 2008 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report 2008 is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report 2008 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of financial statements included in this Interim Report 2008 has been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Report 2008 based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the Interim Report 2008 for the six months ended 31 January 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditor
London, UK
3 March 2008