Close Brothers Group plc

Annual Report 2007

Close Brothers

Close Brothers is an independent merchant bank and is amongst the top 200 listed companies in the UK.

Our goal is to deliver consistent, long term growth in profit and dividends.

We strive to achieve this through our core strategy of specialisation and diversification across a range of financial services and, in particular, by:

Focusing on higher margin activities

Managing business risk whilst maintaining a healthy return on capital

Attracting and supporting management teams of the highest calibre

Fostering entrepreneurship, independent thinking and a willingness to innovate

Placing the highest importance on quality, professionalism and integrity in everything we do.

Contents

Our Results

Profit £190m +21%

Financial Highlights
for the year ended 31st July, 2007

	2007	2006	
Profit before tax	£190m	£157m	+21%
Earnings per share	90.4p	74.1p	+22%
Ordinary dividends per share	37.0p	32.5p	+14%
Special dividend per share	25.0p	–	
Shareholders' funds (equity)	£753m	£662m	+14%
Total assets	£5.4bn	£4.8bn	+12%

Operational Highlights
for the year ended 31st July, 2007

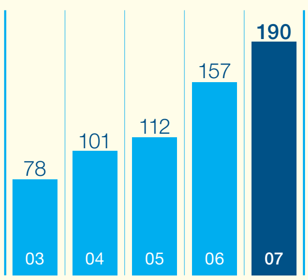
Asset Management record profit of £78 million (before exceptionals, up 20% to £35 million). FUM up 11% to £9.1 billion.

Corporate Finance record profit of £22 million (2006: £17 million).

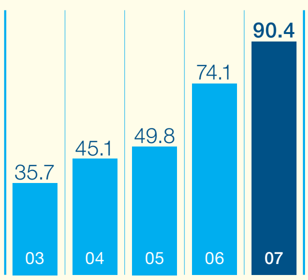
Securities profit £44 million (2006: £48 million). Market share maintained.

Banking profit £72 million (2006: £74 million). Bad debts remained low at 1.1% of loans.

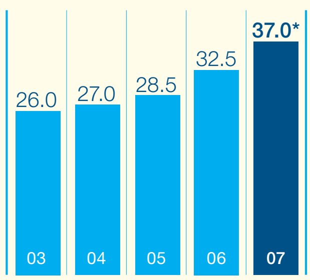
Profit before tax
£million



Earnings per share
pence



Ordinary dividends per share
pence



Up to 04 prepared under UK GAAP, 05 onwards prepared under IFRS.

* 25.0p special dividend also proposed.

Our Business

Close Brothers is a diversified group of specialist financial services businesses with a long and successful track record.

We have four operating divisions: Asset Management, Corporate Finance, Securities and Banking. We derive our revenue from a mix of fees, dealing profits and interest margin. We employ over 2,600 people, principally in the British Isles and also in Continental Europe.

ASSET MANAGEMENT

Asset management has £9.1 billion of funds under management. On revenues of £199 million in 2007 it made an operating profit of £78 million and employed over 860 people.

This division focuses on the two areas of private clients and funds. Our private client business offers a range of services both on and off shore. Our funds side has a broad product range with a strong emphasis on alternative asset classes for retail and institutional investors.

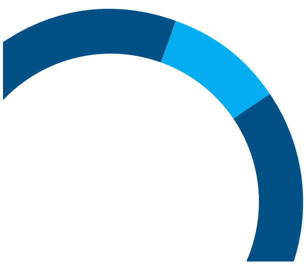
Profit contribution

36%

CORPORATE FINANCE

We are a leading independent European corporate finance adviser with principal offices in London, Frankfurt and Paris. In 2007 the business made an operating profit of £22 million on revenues of £77 million and employed some 180 people.

Areas of particular expertise are mergers and acquisitions advice for both corporate and private equity clients, restructuring, debt advisory and IPO advisory services and pensions advisory work for companies and trustees.



Profit contribution

10%

Scale of Operations

Income
£607m

Profit before tax
£190m

Shareholders' funds
£753m

Funds under management
£9.1bn

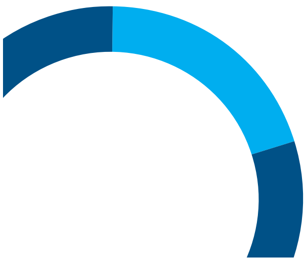
Loan book
£2.0bn

Total assets
£5.4bn

SECURITIES

This division has two principal trading companies, Winterflood Securities and Close Brothers Seydler, and a recent strategic investment in Mako. In 2007 it made an operating profit of £44 million on revenues of £128 million and employed over 260 people.

Winterflood Securities is the leading liquidity provider in the London retail securities market and makes markets in most UK stocks and many international equities and bonds. Close Brothers Seydler is a Frankfurt based broker dealer in domestic and international bonds and equities. It is also a designated sponsor of smaller German companies. Mako is a market-maker in exchange traded derivatives.

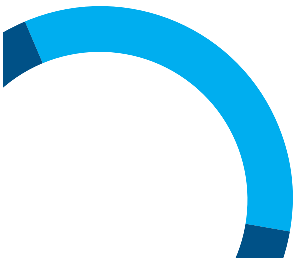


Profit contribution
21%

BANKING

On revenues of £198 million and a loan book of £2 billion in 2007 our Banking division made an operating profit of £72 million. It employed over 1,200 people.

We focus on secured, diversified, asset based lending mainly in the UK and also in Germany. We finance a variety of asset classes including insurance premiums, property, domestic and commercial vehicles, specialist plant and machinery, light aircraft and invoice receivables. We also have an active treasury department and a mortgage broker network.



Profit contribution
33%

Chairman and Chief Executive's Statement

Rod Kent Chairman

"The group had a successful year with headline profit of £190 million including exceptional investment gains and fees of some £43 million."

The group had a successful year, with headline profit of £190 million (2006: £157 million), 21% up on last year's record, and earnings per share of 90.4p (2006: 74.1p). This result was after goodwill impairment of £4 million and has benefited materially from unusually high investment gains and performance fees of some £43 million. The group profit before tax and earnings per share, excluding these items, were respectively some £151 million and 71.9p.

The board is recommending a final dividend of 25p per share (2006: 22p) making total ordinary dividends for the year of 37p per share (2006: 32.5p), up 14% on last year and reflecting our confidence in the long term future of the business.

In addition, given the exceptional returns from our private equity and property businesses, the board is also recommending the payment of a special dividend of 25p per share this year.

OVERVIEW

Conditions during the financial year for our stock market related businesses have been favourable. Our Asset Management division has performed exceptionally well. We have benefited from high levels of activity in private equity, both within this division and our Corporate Finance division where levels of M&A activity have also been high.

Stock markets generally have shown healthy gains over the twelve months to 31st July, 2007 and, although retail investor activity has not been pronounced, both of our securities trading businesses delivered solid performances.

In our Banking division, high levels of liquidity have led to much aggressive lending in the market. We have resisted the siren calls to participate in this process. As a result, loan book growth has been difficult to achieve but the incidence of bad debts has remained low and we maintained our margins.

Group operating income increased by 13% year on year, operating margin improved somewhat to 31% (2006: 29%), and our expense income ratio fell to 65% (2006: 67%). Our pre-tax return on opening capital was 29% (2006: 27%).

CORPORATE DEVELOPMENTS

We have had an active period of corporate developments. Shortly after the year end we purchased a 49.9% interest in Mako Global Derivatives Executive LLP ("Mako") from its management. Mako is a leading market-maker in exchange traded derivatives, principally fixed interest and equity indices futures and options. It is active on the LIFFE, Euronext and Chicago derivatives exchanges and has around 100 employees.

During the year we acquired Aon's multi-manager fund management business and also the fund administration business of Scotiabank in the Cayman Islands.

We also reviewed opportunities for a number of larger transactions in all areas of our business although, especially in the asset management area, the market was very competitive and prices high in our opinion and we have not been prepared to purchase where we have not seen value.

We also increased our shareholding in PLUS Markets plc from 19% to 25% during the year.

STRATEGY

It is our goal to deliver consistent, long term growth in profit and dividends and we have developed a mix of distinctive, diverse and specialised financial services businesses to achieve this. It is in the nature of any such group that, at certain points in the cycle, some businesses will grow faster than others. Over the past two years, our growth has been driven by Asset

Colin Keogh Chief Executive

"We have developed a mix of distinctive, diverse and specialised financial services businesses."

Management, the impact of which is demonstrated in the mix analysis of operating profit shown below:

	2007		2006		2005	
	£m	%	£m	%	£m	%
Asset Management	78	36	38	22	32	21
Corporate Finance	22	10	17	9	10	7
Securities	44	21	48	27	36	24
Banking	72	33	74	42	70	48
	216	100	177	100	148	100

Our policy of diversification has proved successful over many years. Our Banking division, which is capital intensive, has a steady long term growth record. Our Corporate Finance and Securities divisions have more fluctuating profit streams but are highly cash generative, whilst Asset Management is an area with good growth prospects.

In our Asset Management division we have substantially reorganised and reshaped our operations over the past two years. This process continues and we intend to increase our scale in all areas, particularly on the funds side. We have a good platform for future growth.

Our Corporate Finance division remains firmly focused on strengthening its position in the European market, where demand for our services as providers of independent financial advice to both listed companies and to the private equity industry, remains strong. Like our other businesses, we see real strength in the diversity of our activities, with M&A, restructuring, debt advice and specialist IPO and pensions advice all core activities.

Winterflood Securities ("Winterflood") remains at the heart of our Securities division and we see good opportunities for growth on the back of its strong franchise in the securities market. Our investment trust broking team has shown the benefit of selective integration and we will be looking for opportunities to offer similar services in other areas. The strong position we have developed with Winterflood has enabled us to develop a more broadly based securities business which now includes Close Brothers Seydler ("Seydler"), our German market-making and broker dealer business, our investment in PLUS Markets plc and, more recently, our investment in Mako which gives us access to the fast growing derivatives trading market.

In our Banking division we continue to focus on existing markets for growth, to seek out new areas of specialist lending either by acquisition or by backing new teams and to look for opportunities to take our specialist banking skills into other European markets. In the short term this focus on new growth areas will increase our costs but we are confident that in the medium term the division's historical growth rate will be restored. In the meantime we remain firmly of the view that we should not be chasing volume growth at the expense of margin or quality.

We continue to look for acquisition opportunities to add value for our shareholders in all our areas of activity.

RESULTS

Asset Management

Our Asset Management division had a remarkable year. Headline profit was up over 100% to £78 million and Funds Under Management ("FUM") rose 11% to £9.1 billion.

Private equity and property related gains and performance fees have been a regular component of our Asset Management profit, though never on the scale of this year. Exceptional investment gains and performance fees of £43 million include an acceleration of realisations, which we would otherwise have expected over the next few years. Accordingly, we expect future results to include a lower than normal level of such gains. Excluding these gains, the profit of this division, on a like for like basis, grew by 20% and, despite current uncertain markets, we remain confident about the continuing growth of our Asset Management division.

Chairman and Chief Executive's Statement

Corporate Finance
After a quiet first quarter we had a very busy last nine months and produced a record profit of £22 million, some 29% ahead of last year. This has been driven particularly by highly active private equity markets in the UK and Continental Europe. Our operations in London, Frankfurt and Paris all delivered record performances. Whilst the M&A market has been exceptionally strong, restructuring has been correspondingly quieter.

We entered our new financial year with a good pipeline, however the outlook, including the timing of closing deals, is likely to be impacted by current market volatility.

Securities
Profit in our Securities division was down 8% to £44 million. In the UK, Winterflood's dealing margins were up slightly on steady bargain volumes, after three years of overall decline.

In trading terms, Seydler had a good year but, although the new issue market picked up in our second half, the year as a whole, as expected, was quieter than last year.

Volatile markets in the UK have led to a busy and challenging, but profitable start to the new financial year for Winterflood. Seydler has started better than last year.

Banking
Our Banking division had another flat year in which profit fell slightly to £72 million. We have deliberately chosen not to seek to grow our loan book at the expense of margin or underwriting quality. We believe that the recent well publicised credit and liquidity issues in the financial markets will prove this decision to have been correct. We have the building blocks in place to enable our Banking division to return to its historical growth rate.

CAPITAL
Our group has always been well capitalised and soundly financed, and with recent record results this strong position has been further reinforced. The board is quite clear that it wants to maintain our long standing conservative approach to liquidity and funding which has held us in good stead for many years. We were pleased to obtain a credit rating upgrade for the Bank from Moody's during the year to a long term rating of A2 and a short term rating of P1.

We estimate that we have in the order of some £150 million to £200 million of capital in excess of that which is essential to provide a prudent margin over regulatory requirements and those under Basle II and to fund organic growth. We are in discussion with the Financial Services Authority concerning our capital requirements under the new Basle II regime. Our current expectation is that the impact of the new rules will not be material.

We have a history of making successful "bolt on" acquisitions and of investing in businesses close to areas in which we already operate. Until recently, the climate has not, for us, been conducive to making such value enhancing acquisitions. We believe that this is now changing and that therefore it is important to retain an unquestionably strong balance sheet to ensure the flexibility to be able to move quickly to secure transactions should the opportunity arise. We also recognise the potential attraction of using some of our resources to buy back our own shares. We have the relevant authority in place to do so and will keep the matter under review.

BOARD CHANGES
As already announced, after 30 years with the company and in his 60th year our joint managing director and finance director, Peter Winkworth, will be stepping down from the board at the end of September 2007.

Peter Buckley, who has been a non-executive director for twelve years, will be retiring from the board before the end of the calendar year 2007. He is chairman of Caledonia Investments plc, which has been our largest shareholder for nearly two decades.

A special thank you from the board to both of them is given in the tributes.

"The diversity of Close Brothers is a key strength and has underpinned our long term growth record over many years."

James Williams, who has been a non-executive director for three years, will also retire from the board at the forthcoming Annual General Meeting. We thank him for his contribution to the group and his guidance to our Asset Management division.

Jamie Cayzer-Colvin, aged 42, is expected to join as a non-executive director when Peter Buckley retires. He is an executive director of Caledonia, our largest shareholder, and will therefore not be regarded as an independent director for the purposes of the Combined Code.

OUTLOOK

The diversity of Close Brothers is a key strength and has underpinned our long term growth record over many years.

Our new financial year has started with credit and liquidity issues dominating financial markets. We are not sorry to see the probable end of easy credit and we believe that this change in climate could see an increase in acquisition opportunities and also benefit our conservatively financed Banking division.

In the face of current market uncertainty, our long standing prudent approach to liquidity and our broad spread of activities give us confidence in our resilience and long term growth prospects.

TRIBUTE TO PETER WINKWORTH

In January 1977 Peter Winkworth joined the management team of the fledgling Close Brothers, which then had just a handful of employees and only £1 million of capital. As one of three founding executive directors he has played a key role in creating the strategy and building up the group to its current position. Today Close Brothers is a diverse financial group with more than 2,500 staff and £750 million capital. It is one of the top 200 companies listed on the London Stock Exchange and has just reported a record year.

Peter has been an outstanding finance director with an enviable track record. He has been at the heart of our development for more than 30 years. His integrity, energy, robustness of argument, clarity of view and, above all, sound judgement are hallmarks which we will all miss.

TRIBUTE TO PETER BUCKLEY

In 1987 Close Brothers was developing fast and required more capital. Alongside a conventional rights issue, we also sourced fresh funds from a direct placing with Caledonia, where Peter Buckley was our principal point of contact. Since that time Caledonia has supported us in many ways and has been our largest shareholder for many years.

Peter's contribution to Close Brothers has been immeasurable and he has been a supportive guiding hand for more than 20 years. His courteous manner, financial acumen and commonsense approach to business will be much missed and we wish him well in his continued roles as chairman of Caledonia and president of The Royal Horticultural Society.

Management Board

1 COLIN KEOGH*
Chief Executive
Joined the Corporate Finance division of Close Brothers as a director in May 1985 having previously been employed by Saudi International Bank and Arthur Andersen. He was appointed a director of the company in August 1995 and chief executive in November 2002, having previously headed up our Corporate Finance and Asset Management divisions. Aged 54.

2 STEPHEN AULSEBROOK
Chief Executive, Corporate Finance
Joined Close Brothers in May 1996 on its acquisition of Hill Samuel corporate finance, which in turn he joined in 1991 having previously been a barrister at the Inner Temple. He was appointed to the management board in August 2007. Aged 50.

3 MICHAEL BARLEY
Chief Executive, Asset Financing
Joined Close Brothers in June 1999 having previously been chief executive of Wagon Finance and an executive manager at Abbey National. He was appointed to the management board in August 2003. Aged 50.

4 RICHARD GRAINGER
Executive Vice Chairman, Corporate Finance
Joined Close Brothers in May 1996 on its acquisition of Hill Samuel corporate finance, which in turn he joined in April 1987 after qualifying with Price Waterhouse. He was chief executive of our Corporate Finance division before his recent appointment as executive vice chairman. He was appointed to the management board in August 2003. Aged 47.

5 MICHAEL HINES*
Chief Executive, Securities
Joined Close Brothers in April 1993 on the acquisition of Winterflood Securities, of which he is the chief executive. He was appointed a director of the company in March 2002. He was previously with Bisgood Bishop for many years. Aged 58.

6 STEPHEN HODGES*
Joint Managing Director
Joined the Banking division of Close Brothers as a director in 1985, following eight years at Hambros. He was appointed a director of the company in August 1995 with responsibility for the Banking division. He was also appointed joint managing director in November 2002. Aged 53.

7 DAVID PUSINELLI*
Corporate Development Director
Qualified as a chartered accountant with Coopers & Lybrand, before joining the Corporate Finance division of Close Brothers in 1986 as a director. He was appointed a director of the company in September 2002 with responsibility for corporate development. Aged 51.

8 JONATHAN SIEFF
Chief Executive, Asset Management
Joined Close Brothers in May 2003 having previously worked at Old Mutual, and before that, HSBC. He was appointed to the management board in July 2004. Aged 41.

9 PETER WINKWORTH*
Joint Managing Director
Employed by KPMG and Barings, before joining Close Brothers as a director in 1977. He was a partner in the management buy-out of Close Brothers in 1979. He was appointed a director of the company in August 1984 with responsibility for finance and was appointed joint managing director in November 2002. He will be stepping down as a director before the forthcoming Annual General Meeting. Aged 59.

* executive director

Chairman and Non-Executive Directors

1

2

3

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1 ROD KENT
Chairman
Joined Close Brothers as managing director in 1974 and led the management buy-out in 1979. He was appointed a director of the company in August 1984 and remained managing director until October 2002, when he became a non-executive director and consultant. He was appointed chairman in November 2006. He is the non-executive chairman of Grosvenor Limited and of Bradford & Bingley plc, and the senior independent director of Whitbread plc. He is chairman of the Nomination and Governance Committee. Aged 60.

2 PETER BUCKLEY
Non-executive Director
Has spent some 30 years as a director of Caledonia Investments plc. He was appointed its chief executive in 1987 and became chairman in 1994. He is a non-executive director of Bristow Group Inc. He was appointed a director in November 1995. Peter will be retiring from the board before the end of the calendar year 2007. Aged 65.

3 BRUCE CARNEGIE-BROWN
Non-executive Director
Previously with JP Morgan where he became head of debt capital markets in Europe and Asia, and after that Marsh Limited for three years as its chief executive. He is the managing partner of 3i Quoted Private Equity. He was appointed a director in June 2006. Aged 47.

4 STRONE MACPHERSON
Deputy Chairman and Senior Independent Director
Formerly a director of Flemings, executive deputy chairman of Misys and non-executive director of AXA UK plc. He is chairman of Tribal Group plc and non-executive director of British Empire Securities and General Trust plc and Kleinwort Benson Private Bank Limited. He was appointed a director in March 2003, senior independent director in September 2004 and deputy chairman in November 2006. Aged 59.

5 MICHAEL MCLINTOCK
Non-executive Director
Previously with Barings and Morgan Grenfell. He is the chief executive of M&G and a director of Prudential plc. He was appointed a director in May 2001 and is the chairman of the Remuneration Committee. Aged 46.

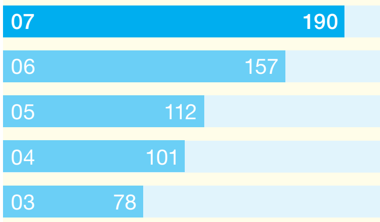
6 DOUGLAS PATERSON
Non-executive Director
Formerly a senior partner in the banking and capital markets division of PricewaterhouseCoopers. He is a non-executive director of Goldman Sachs International Bank. He was appointed a director in July 2004 and is the chairman of the Audit Committee. Aged 63.

7 JAMES WILLIAMS
Non-executive Director
Previously with Baring Asset Management for many years until retirement in 2002. He is a non-executive director of J P Morgan Fleming America Investment Trust plc, The Pan Asian Special Opportunities Fund and Prosperity Russian Domestic Fund plc. He was appointed a director in July 2004. James will be retiring from the board at the conclusion of our forthcoming Annual General Meeting. Aged 57.

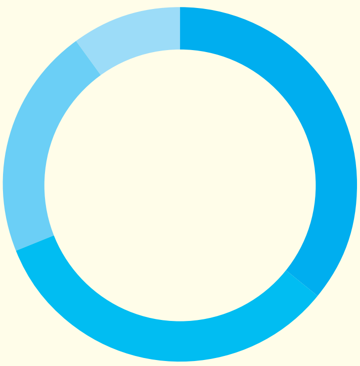
Review of Operations Overview

"The success of our strategy is evidenced by the long run compound annual growth rate in profit and dividends of 13% and 12% respectively."

Group profit before tax
£million



Contribution by division
Year to 31st July, 2007
(2006 in brackets)



- Asset Management 36% (22%)
- Banking 33% (42%)
- Securities 21% (27%)
- Corporate Finance 10% (9%)

Close Brothers is a diversified financial services group with four divisions: Asset Management, Corporate Finance, Securities and Banking. Our core strategy is to develop a diversified group of distinctive and specialist businesses in order to provide for our shareholders, over time, consistent growth in profit and dividends. The success of this strategy is evidenced by the long run compound annual growth rate in profit and dividends of 13% and 12% respectively. We are confident that, over time, with our current mix of businesses, we can maintain this average growth rate.

Each of our divisions has a clear strategy for growth and we anticipate that an increasing proportion of our profit will, over time, come from our overseas operations.

Key Performance Indicators ("KPIs") used in managing the group are shown below. These and other measures are also used in each of our operating divisions. Given the different activities of our businesses there are significant variations in these KPIs between divisions so the blended rate reported at the group level will be influenced by our earnings mix.

	07 %	06 %	05 %
Return on opening capital	**29**	27	24
Operating margin	**31**	29	29
Expense/income ratio	**65**	67	67
Compensation ratio	**42**	43	43
10 year CAGR[1] profit[2]	**13**	13	13
10 year CAGR[1] dividends	**12**	13	13
Capital adequacy ratio[3]: Group	**25**	24	22
Capital adequacy ratio[3]: Bank	**14**	15	15

1 Compound Annual Growth Rate.
2 Profit before tax.
3 At 31st July including audited profit but before dividends payable.

Our diversity, specialisation and focus on high margin business provide the bases for consistent growth with attractive returns on capital and operating margins. We use these ratios to measure the success of our strategy and the quality of stewardship of our shareholders' funds.

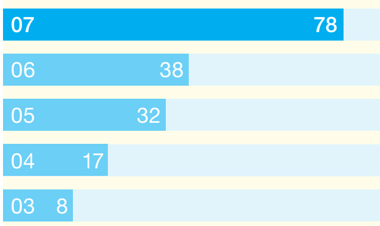
It has always been our policy to be well capitalised and soundly financed whilst nonetheless delivering a high return on capital. We would therefore expect to have capital adequacy ratios well in excess of minimum regulatory requirements even before taking account of the need to fund our non regulated activities and small acquisitions. The capital adequacy ratio at 31st July, 2007 of the group was 25.3% (2006: 24.2%) and for Close Brothers Limited was 13.6% (2006: 15.2%).

We do not expect any significant change in our regulatory capital requirement as a result of Basle II.

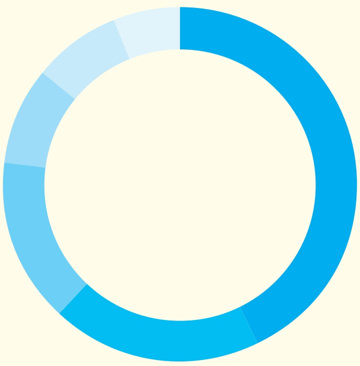
Review of Operations Asset Management

"Our Asset Management division had a remarkable year producing a record headline profit of £78 million. Growth in underlying profit was on target at 20% per annum."

Asset Management profit
£million



FUM by asset class
31st July, 2007
(2006 in brackets)



Equity market conditions were generally favourable with the UK FTSE All-Share Index up 9.5% over the twelve months to 31st July, 2007. Against this backdrop, our Asset Management division had a remarkable year, producing a record profit of £78 million. This includes exceptional investment gains and performance fees of some £43 million which arose due to an acceleration of realisations which we would otherwise have expected over the next few years.

We expect future results to include a lower than normal level of investment gains and performance fees. Excluding these gains, the profit for this division, on a like for like basis, grew by 20%. Accordingly, our Asset Management division is well placed as a key driver of earnings growth for the group.

	07 £m	06 £m
Income	**199**	140
Costs	**121**	102
Profit	**78**	38

The underlying profit of our Asset Management division before exceptional gains was £35 million (2006: £29 million).

FUM grew by 11% to £9.1 billion as shown below:

	Private clients £m	Funds £m	**Total £m**
1st August, 2006	2,684	5,527	**8,211**
New funds raised	1,073	975	**2,048**
Redemptions, realisations and withdrawals	(332)	(1,355)	**(1,687)**
Net new funds	741	(380)	**361**
Acquisitions	–	679	**679**
Discontinued activities	–	(630)	**(630)**
Market movement	163	364	**527**
31st July, 2007	**3,588**	**5,560**	**9,148**



Our mix of asset classes remains steady and is a key strength that we will maintain.

During the year we exited our investment trust funds administration business (FUM: £575 million) as well as our small technology fund management business (FUM: £55 million). We have been active in the property market where concerns about the commercial property market in particular meant that we were happier realising investments for clients (to the tune of over £300 million) than raising new funds. We have also made significant realisations in our very successful private equity Fund VI. Fund inflows have been particularly strong in our private client business, reflecting the hiring of additional teams of fund managers at the end of our last financial year and strong business development. As the new teams settle down we would expect the rate of net new money inflows to revert to more normal levels.

KPIs for our Asset Management division were:

	07 %	06 %
Operating margin	**39**	27
Expense/income ratio	**61**	73
Compensation ratio	**43**	46
Net new funds*/opening FUM	**4.4**	6.3

* Net new funds excluding acquisitions and discontinued activities.

Excluding the exceptional gains, our KPIs are on target, with the exception of net new funds/opening FUM, which we expect to improve this coming year.

Fund performance has been good with more than two thirds of our funds performing in the top two quartiles or beating their benchmarks.

Our private client operations had a good year and are now operating as a more integrated business under the name Close Wealth Management Group. We continue to fund the cost of new teams through the profit and loss account.

Our Cayman Islands' operation has had an excellent year, with good prospects enhanced by the acquisition of Scotiabank's representative banking, agency and fund administration businesses.

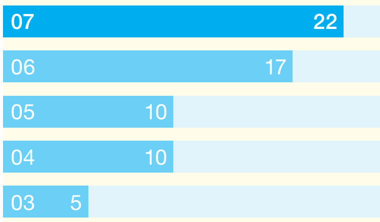
On our funds side we have also made progress in Close Investments where we now have a clear focus on four main areas, property, multi-manager, structured and specialist products and hedge funds of funds. The acquisition of the Aon Asset Management business during the year brought further scale to our multi-manager offering.

Our private equity businesses have enjoyed a record year of successful realisations. Particular highlights were the CBPE Fund VI exits from Moody International, Minova and V Ships.

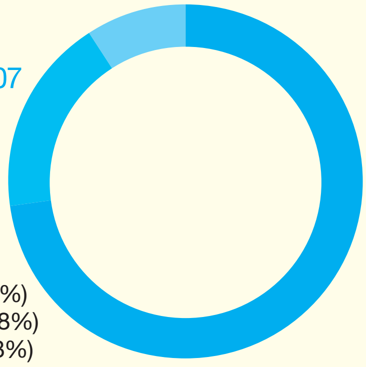
The integration within our private client and funds businesses is designed to benefit clients by simplifying our external presentation and providing easier access to a broader range of products and services. In addition it benefits the division by improving asset gathering capability, strengthening investment resources and enhancing efficiency and performance over time. Considerable progress has been made over the last twelve months in developing the strategy, investment process and infrastructure required to produce further growth and greater scalability. This will continue in the next twelve months.

Review of Operations Corporate Finance

Corporate Finance profit
£million



Corporate Finance practice areas
Year to 31st July, 2007
(2006 in brackets)



- Mergers and Acquisitions 73% (69%)
- Restructuring 18% (18%)
- Debt Advisory 9% (13%)

Our Corporate Finance division has had another excellent year, taking advantage of a very strong M&A market to reach a record breaking level of income and profitability.

Income was up by 26% to £77 million and profit before tax up by 29% to £22 million.

	07 £m	06 £m
Income	77	61
Costs	55	44
Profit	22	17

M&A activity was the dominant theme in our principal offices in the UK, France and Germany representing over 70% of our income.

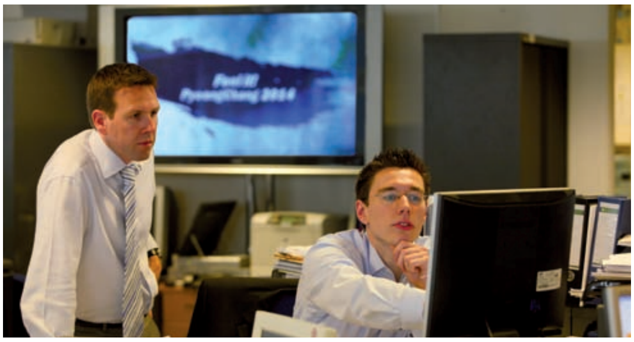
This year saw us advise on a significant number of high profile and high value transactions. The surge in private equity activity provided a number of attractive opportunities for us. These included advising Saga Holdings Limited on its ownership options, which culminated in its £6.2 billion combination with the AA. Another UK highlight was the £280 million disposal by Electra Partners of Capital Safety Group, the world leader in personal fall protection and rescue equipment, to Candover Partners.

Internationally, we advised AXA Private Equity on its acquisition of a majority stake in CABB GmbH, a German speciality chemicals company, and Milestone Capital on the sale of Groupe 5aSec, the leading French provider of textile care services, to ING Parcom Private Equity and management.

Our Debt Advisory business was also active on private equity transactions in the year in the UK, France and Germany.

In the quoted sector, major transactions included advice to Enterprise plc on its £491 million takeover by 3i plc and to Alpha Airports Group plc on its £194 million takeover by Autogrill S.p.A. of Italy. In Germany, we advised Fujitsu Services of Japan on the €105 million public offer for TDS Informationstechnologie AG.

Our Restructuring business was busy on a number of transactions, examples of which were the €900 million refinancing of Ontex International NV and the £1.1 billion restructuring of The Polestar Company Limited.



As these transactions demonstrate, there is a significant international aspect to our work. With this in mind, we continue to pursue our long term strategic objective of strengthening our international base and during the year increased our stake in our French subsidiary from 50% to 83% with a further commitment to acquire the remaining 17% in April 2008. We also entered into a strategic alliance with Allegro Advisors, an independent investment bank in India, who became members of the Close Brothers Network, our worldwide investment banking network.

The KPIs for the Corporate Finance division were:

	07 %	06 %
Operating margin	29	28
Expense/income ratio	71	72
Compensation ratio	57	56

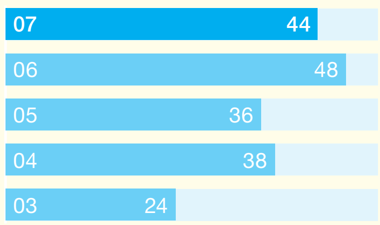
The KPIs reflect a strong performance where costs have been kept under close control while income has reached record levels.

On 14th August, 2007 we announced the appointment of Stephen Aulsebrook as the new chief executive of the Corporate Finance division.

Our Corporate Finance business has the strength in depth to make continued progress and we are confident of the prospects for long term growth both in the UK and internationally.

Review of Operations Securities

Securities profit
£million



This division comprises Winterflood and Seydler. Shortly after the year end we acquired a 49.9% holding in the exchange traded derivatives market-maker, Mako.

Winterflood remains the leading liquidity provider in UK equities and bonds to the retail stock broking community. Seydler is a Frankfurt based broker dealer in domestic German and international bonds and equities. It is also a leading designated sponsor of small and mid-sized German companies with some 160 corporate relationships.

	07 £m	06 £m
Income	128	134
Costs	84	86
Profit	44	48

Our operating margin decreased slightly to 34%, caused mainly by a non-trading £3 million provision made by Seydler this year to cover a possible regulatory customer protection levy. Our underlying operating margin excluding this cost improved slightly to 37% (2006: 36%).

KPIs for the Securities division were:

	07 %	06 %
Operating margin	34	36
Expense/income ratio	66	64
Compensation ratio	35	40

For Winterflood, market conditions were remarkably similar to last year in terms of bargain numbers of 6.9 million (2006: 7.3 million), overall revenue of £103 million (2006: £104 million) and profit of £40 million (2006: £39 million). It was pleasing to note that, after three years of decline, 2007 saw a slight increase in overall profit per bargain, driven mainly by good performance in the investment trust book. Fee levels were slightly up on last year.

The market in which Winterflood operates has changed significantly in the last few years with the move toward more order driven securities trading. The success with which Winterflood has adapted to changing market conditions is a tribute to the skill of our traders and the robustness of our business model. Winterflood remains a committed provider of liquidity to the retail, and increasingly, the institutional market, either order or quote driven. We remain firmly of the view that for the large number of less liquid stocks the order driven system is not optimal and that the traditional quote driven system remains the best way to provide certainty of price and execution.

We have been greatly encouraged by the success of the investment trust team and their ability to develop their business off the back of the Winterflood platform. We are seeking opportunities to replicate this success in other areas.

Michael Hines, Chief Executive, Securities, will be retiring from Winterflood at the end of the current financial year after 42 years in the securities business. Julian Palfreyman will then become chief executive of Winterflood.

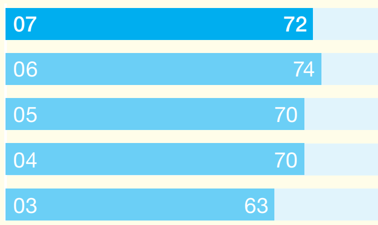
For Seydler, market-making activity has been running at better levels than last year but in the first six months, as expected, the important new issue market was much quieter than last year. This market picked up in our second half but underlying profit at £7 million was still some 20% below last year's strong performance. In addition, we have decided to provide £3 million against a possible regulatory customer protection levy relating to the failure of a German retail fund business several years ago prior to our acquisition of Seydler.

Seydler continues to occupy a strong position in the Frankfurt market and opportunities exist to increase our market-making activities. We also see opportunities to enhance the service we provide to our corporate clients and are planning to establish a London based team to give these clients access to the UK's capital markets.

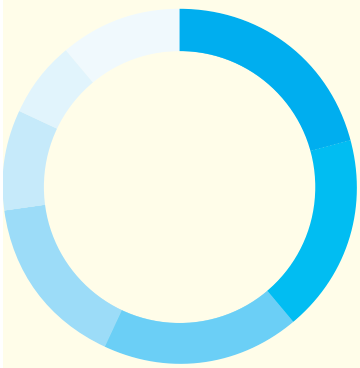
Review of Operations Banking

"Total assets of our Banking division grew by some 17% as our Treasury operation concluded another successful year in growing the level of customer deposits."

Banking profit
£million



Analysis of group loan book by asset security
31st July, 2007
(2006 in brackets)



- Transport, engineering and plant 21% (20%)
- Insurance premiums 18% (21%)
- Motor vehicles 18% (19%)
- Property 16% (11%)
- Invoice receivables 9% (8%)
- Printing machinery 7% (11%)
- Other assets 11% (10%)

Our Banking division provides specialist lending and treasury services to small businesses in the UK, Ireland, the Channel Islands, Germany and recently Spain. Overall our loan book has grown from £1.86 billion to £1.96 billion although profit has dipped slightly to £72 million.

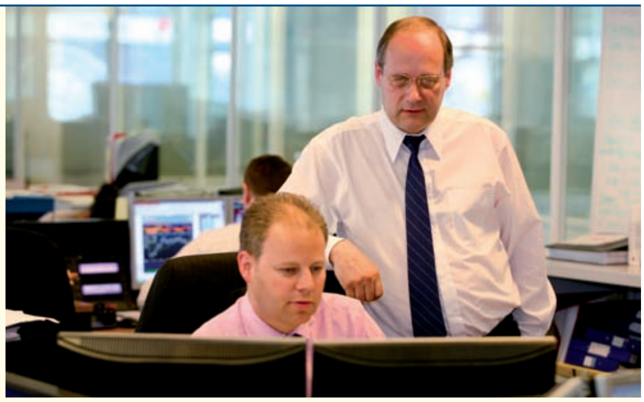
The general market for our Banking businesses has been one of high levels of liquidity and consequent strong competition for assets. Against this background we have held to our stated policy of not chasing volume at the expense of margin.

	07 £m	06 £m
Income	**198**	199
Costs	**126**	125
Profit	**72**	74

KPIs for our Banking division were:

	07 %	06 %
Operating margin	**36**	37
Expense/income ratio	**53**	53
Compensation ratio	**30**	31
Return on opening capital	**27**	30
Bad debt/average loans	**1.1**	1.0
Return on average loans	**3.7**	3.8

All KPIs were on target, albeit that it was another flat year for growth in profit and for our customer loan book. Total assets of our Banking division grew by some 17% as our Treasury operation concluded another successful year in growing the level of customer deposits. In addition to this, we continued to put in place long term committed facilities from lending banks and other institutions. As a result, our balance sheet remains highly liquid and our funding sources are diverse.



The headline figures for our customer loan book mask a great deal of underlying activity and some changes in the mix of our portfolio of businesses. Significant features of the year include:

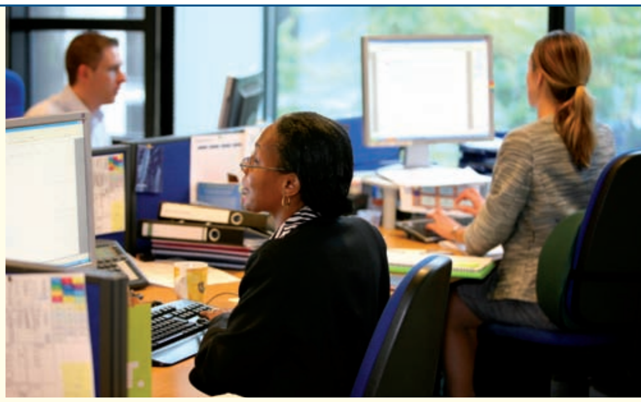
- Another year of insurance premium deflation saw our customer loan book in this area fall by 10% from £385 million to £348 million. Although our case count was broadly unchanged, and costs and bad debt were well controlled, our net income from this area fell during the year. However, we remain confident that this is a business which can generate significant future growth in profitability.
- Our Property Finance team had an excellent year with an increase in their loan book of over 50% to £306 million. Our lending in this area remains well spread by borrower and geographically, and this diversification will help us in a market which is showing increasing variation in regional market conditions.
- In our commercial asset finance operations there continued to be a change in the mix of underlying assets financed. Lending in our Transport and Engineering business grew by 14% during the year to £358 million as new teams contributed additional business, which bodes well for the future growth of this area. Our restructured print finance business saw its loan book fall, but profit grew as it focused on more profitable lines of activity.
- The incidence of bad debt throughout our loan book has been satisfactorily low. This is evidenced by the charge to the profit and loss account, expressed as a percentage of average customer loans, which remained below our long term average, at 1.1%. This charge is very comfortably covered by the level of pre-bad debt, pre-tax profit of 4.8%, a cover of more than 4 times.

We continue to invest capital and senior management time in seeking out new areas of activity, both in the UK and abroad. Start-ups, and the identification of suitable new teams who can bring specialist lending skills, take time to bear fruit. We have resisted the temptation to acquire banking businesses which would dilute the strong long term performance which we have achieved in this area. Nevertheless, we believe there continue to be interesting opportunities for us to grow and diversify our specialist lending operations. Examples during the year of new ventures included our first overseas property financing, a detailed investigation of the opportunities for insurance premium finance outside the UK, the launch of an invoice discounting business in Ireland and our first asset finance transactions outside the UK. Not all these projects will necessarily be successful and during the year we suspended the operations of Close Mortgages, our specialist mortgage lender, in the light of uneconomic returns available in this sector.

Looking ahead, we can see that the long term rate of growth in our loan book should be restored. We continue to achieve a strong operating margin of 36% and a consistent pre-tax return on the gross loan book of 3.7%.

Review of Operations Risk Management





Risk management is the process of identifying the principal business risks, including regulatory compliance risks, to the group achieving its strategic objectives, establishing appropriate controls to manage those risks and ensuring that appropriate monitoring and reporting systems are in place. The group's risk management process balances cost against risk within the constraints of the group's risk appetite and is consistent with the prudent management required of a large financial organisation.

The risk management framework is based on the concept of "three lines of defence":
- Risk management: primary responsibility for strategy, performance and risk management lies with the board, the chief executive and the heads of each division and operating business.
- Risk oversight: risk management oversight is provided by the Group Risk and Compliance Committee ("GRCC") and the head of Group Risk working with counterparts in the divisions and operating businesses and with Group Compliance. This is supplemented by a range of risk related committees at divisional and operating business levels which are described further below.
- Independent assurance: independent assurance on the effectiveness of the risk management systems is provided by Group Internal Audit reporting to the Audit Committee.

There are clear reporting lines and defined areas of responsibility at board, divisional and business level. This structure is designed to ensure, amongst other things, that key issues and developments are escalated on a timely basis. The group's risk management framework requires that all of the group's divisions and operating businesses establish a process for identifying, evaluating and managing the key risks that they face.

The composition and duties of the Audit Committee are described on page 24. The GRCC is a committee established by the chief executive to assist him in the discharge of his responsibility for the group wide management of risk comprising executives of the group board supported by the head of Group Risk, the head of Group Compliance and the head of Group Internal Audit. It meets monthly and is responsible for:
- recommending for board approval the group's risk appetite;
- the group's risk management strategy, approach and policy;
- the approval of group-wide policies in respect of risk management and regulatory compliance; and
- receiving regular reports on significant risk management, regulatory compliance and internal control issues and for monitoring their analysis and resolution.

The heads of Group Risk and Group Compliance report to the chief executive and are responsible for the oversight of risk management and regulatory compliance around the group. The head of Group Internal Audit has a primary functional reporting line to the chairman of the Audit Committee with a secondary reporting line to the chief executive for administrative purposes.

The board considers the principal risks facing the group to comprise reputational, strategic, credit, market, liquidity, operational and regulatory compliance.

Reputational Risk

The board considers a loss of reputation to be the most significant risk to a business operating in the financial services sector but that this risk would crystallise only as a consequence of a failure in managing the group's other principal risks.

"The group's risk management process balances cost against risk within the constraints of the group's risk appetite."

Strategic Risk

Strategic risk results from external factors and inadequate senior management processes that could lead to a significant failure of the effectiveness of the strategy of the group as a whole, or of its divisions and businesses. This risk is mitigated by the group having a well established reporting structure for agreeing strategy, risk appetite, planning and budgets. Detailed monthly group management accounts are produced and variances and trends are closely monitored. Divisional heads report to the group board each month on the performance of, and key issues affecting, their division. Detailed budgets and three year plans, which are based upon group strategy, are stress tested to take account of potential adverse conditions and are subject to rigorous challenge at divisional and board level to ensure that the group has adequate capital to meet its business and regulatory needs.

Credit Risk

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion and arises mainly from the lending and treasury activities of our Banking division. Our loan book is well spread, short term, secured and with a low average loan size in order to avoid concentration risk. As a general principle, the group avoids the risk of multiple exposures to one counterparty, for example, we do not normally lend to a corporate finance advisory client, nor does one lending subsidiary seek to lend to customers of another lending subsidiary. Credit risk resulting from our lending activities is controlled by a number of local credit committees within centrally set limits of authority. For transactions above such limits, there is a group Credit Committee. The credit quality of our counterparties with whom we place deposits or whose certificates of deposit or floating rate notes we buy are monitored by the Treasury Committee which establishes specific limits. These counterparties have, almost exclusively, a credit rating of "AA" or better.

Credit risk in our Securities division is limited as our businesses in that division trade in the cash markets with regulated counterparties on a delivery versus payment basis such that any credit exposure is limited to price movements in the underlying securities. Counterparty exposure and settlement failure monitoring controls are in place.

Market Risk

Market risk is the risk that arises from adverse movements in equity, bond, interest rate, foreign exchange or other traded markets and arises primarily in our Securities division.

The Securities division is exposed to the market risk deriving from trading in equity and fixed income securities. Senior management is closely involved in its risk management process, which is also regularly monitored at group level. There are controls, supplemented by cash limits, on individual large or slow moving equity or fixed income positions. Real time controls on the size and risk profile of trading books and of individual books within these are maintained. The group's exposure to market price risk resulting from market-making is shown in note 10 on page 50.

Our treasury operations do not trade in money market instruments although they are held for liquidity and yield purposes. Nor do we trade speculatively in derivatives as a principal. Interest rate mismatch and currency exposure policies are established by the Treasury Committee with compliance monitored daily. We continue our long established policy of broadly matching interest rate liabilities whereby we swap variable rate financing into fixed rate, particularly in regard to our asset financing book. We have minimal currency exposure, since most of our business is transacted in sterling. Non-sterling financing is funded by liabilities in the relevant currency or swapped into sterling to hedge currency exposure.

Review of Operations Risk Management

Returns from the group's capital and reserves are necessarily subject to interest rate fluctuations and as a matter of policy these are not hedged, as reflected in the interest rate repricing table shown in note 24 on page 58.

Most of the group's activities are located in the British Isles. Our currency exposure resulting from our investment in overseas subsidiaries, although increased, is currently relatively small, the extent to which the group's profit and consolidated balance sheet is affected by movements in exchange rates is minimal.

Liquidity Risk

Liquidity risk is the risk of not being able to meet liabilities as they fall due and arises mainly in our Banking division. Each of our operations is responsible for its own liquidity within specified guidelines. Each is capitalised at a level required to meet its business and regulatory needs and, where necessary, has appropriate borrowing facilities from the company, the bank or external lenders. The liquidity of each division is reviewed at its monthly board meeting and the overall funding position is reported to the group board each month.

In the Banking division our policy remains to be able to finance our customer loans and advances by capital and reserves, longer term deposits and committed facilities. This policy is kept under review by the Treasury Committee with compliance monitored daily. At the year end the group's committed facilities amounted to over £1.8 billion, of which £1.0 billion was drawn.

Operational Risk

Operational risk is the risk of material adverse impact resulting from inadequate internal processes, people or systems or from external events and is inherent in all our businesses. Each of our main operations is managed separately and has its own financial control, operations and IT departments with operational risk management carried out by the local management. Consequently there is little or no integration of systems, management or processes, which mitigates systemic operational risk.

Our Asset Management division has a range of controls to support the quality of its product range and of the investment process, including new product, asset allocation and investment committees, in which its senior central management participates where appropriate, and regular reviews of investment performance. These are backed up by rigorous controls to safeguard clients' stock and money.

The principal operational risks to which our Corporate Finance division is exposed are controlled and monitored by its Risk Committee in which senior management of both Corporate Finance and group participate.

Regulatory Compliance Risk

Regulatory compliance risk is the risk of material adverse impact resulting from failure to comply with laws, regulations, codes of conduct or standards of good practice governing the financial services sectors in which we operate. Each of our regulated businesses has a dedicated compliance officer reporting to the chief executive of that business who is responsible for supporting the business in meeting its regulatory compliance objectives and for executing risk-based monitoring programmes to confirm compliance. The activities of these compliance professionals is co-ordinated and overseen on a group-wide basis by the head of Group Compliance.

Report of the Directors

The directors present their report and the audited financial statements for the year ended 31st July, 2007.

Business Review and Principal Activities

Close Brothers Group plc is the parent company of a group of companies engaged in merchant banking operations. The principal subsidiary undertakings as at 31st July, 2007 and their principal activities are listed in note 26 on page 60 to these financial statements.

The information that fulfils the requirements of the Business Review can be found in the following sections of the Annual Report, which are incorporated into this Report of the Directors by reference:

(a) A review of the development and performance of the business of the company and its subsidiary undertakings during the financial year is presented in the Chairman and Chief Executive's Statement on pages 4 to 7 and the Review of Operations on pages 10 to 17;

(b) Principal risks and uncertainties facing the company and its subsidiary undertakings and how they are controlled are described on pages 18 to 20; and

(c) Information relating to the environment and staff matters are given in the Social Responsibility statement on page 27.

Results and Dividends

The consolidated results for the year are shown on page 38. The directors recommend a final dividend for 2007 of 25.0p (2006: 22.0p) on each ordinary share which, together with the interim dividend of 12.0p (2006: 10.5p), makes an ordinary distribution for the year of 37.0p (2006: 32.5p) per share.

In addition, the directors recommend a special dividend for 2007 of 25.0p on each ordinary share.

Statement of Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare accounts for the group in accordance with International Financial Reporting Standards ("IFRS") and have chosen to prepare company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

In the case of IFRS accounts, IAS 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to properly select and apply accounting policies; present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and prepare the accounts on a going concern basis unless, having assessed the ability of the company to continue as a going concern, management either intends to liquidate the entity or to cease trading, or have no realistic alternative but to do so.

In the case of UK GAAP accounts, the directors are required 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 these 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; state whether all applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

In accordance with the provisions of section 234ZA of the Companies Act 1985, each of the directors at the date of approval of this report confirms that so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of the information. Words and phrases used in this confirmation should be interpreted in accordance with section 234ZA of the Companies Act 1985.

Directors' Indemnity

The company's Articles of Association provide that each director and the secretary of the company shall be indemnified by the company to the extent permissible under UK company law against any costs incurred by them in defending proceedings brought against them arising out of their positions as director or secretary in which they are acquitted or judgement is given in their favour or relief from liability for negligence, default, breach of duty or breach of trust is granted to them by the court.

Report of the Directors

Share Capital
Details of changes in the company's ordinary share capital during the year are given in note 21 on page 55 to these financial statements.

New issues of share capital
Under the Companies Acts, the directors of a company are, with certain exceptions, unable to allot any equity securities without express authorisation, which may be contained in a company's Articles of Association or given by its shareholders in general meeting, but which in either event cannot last more than five years. Under the Companies Acts, the board may also not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

Purchase of own share capital
Subject to authorisation by shareholder resolution, the company may purchase its own shares in accordance with the Companies Acts. Any shares which have been bought back may be held as treasury shares or, if not so held, must be cancelled immediately upon completion of the purchase, thereby reducing the amount of issued share capital. The directors currently have shareholder authority to buy back up to 21,961,000 ordinary shares during the period up to the forthcoming AGM. The minimum price which must be paid for such shares is 25p and the maximum price is the higher of: (i) an amount equal to 5% above the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out.

Substantial Interests
At 6th September, 2007 the following had notified the company that they were interested in 3% or more of the issued share capital of the company:

	Ordinary shares	%
Caledonia Investments plc	18,000,000	12.2
Prudential plc	17,289,959	11.7
Lloyds TSB Group plc	11,482,500	7.8
Standard Life Investments Limited	8,275,585	5.6
Legal & General plc	5,627,106	3.8

Directors and Interests
(a) The present directors of the company, all of whom served throughout the year, are shown on pages 8 and 9.

(b) The directors' interests in the share capital of the company were:

	Ordinary shares	
	31st July, 2007	1st August, 2006
P.N. Buckley	**–**	–
B.N. Carnegie-Brown	**–**	–
M.A. Hines	**12,500**	12,500
S.R. Hodges	**455,462**	411,075
R.D. Kent	**227,186**	227,186
C.D. Keogh	**386,251**	368,751
P.S.S. Macpherson	**–**	–
M.G.A. McLintock	**4,440**	4,440
D.G.J. Paterson	**10,000**	10,000
D.C. Pusinelli	**250,184**	250,184
J.P. Williams	**7,000**	7,000
P.L. Winkworth	**735,265**	602,765

Mr. P.N. Buckley is the chairman of Caledonia Investments plc, which had an interest in 18,000,000 ordinary shares of the company at 31st July, 2007 (1st August, 2006: 18,000,000).

Mr. M.G.A. McLintock is a director of Prudential plc, which had an interest in 16,778,682 ordinary shares of the company at 31st July, 2007 (1st August, 2006: 16,916,348).

Details of the options to subscribe for shares held by the directors are given in the Report of the Board on Directors' Remuneration on pages 28 to 35. The beneficial interests of the directors in the share capital of the company have remained unchanged since 31st July, 2007.

(c) Mr. M.A. Hines is a director of and minority shareholder in Winterflood Securities Limited. At 31st July, 2007 he and his spouse were beneficially interested in 1,250 ordinary shares of that company (1st August, 2006: 1,250).

(d) Directors may be elected by the members in general meeting or appointed by the board of directors in accordance with the provisions of the Articles of Association. At each AGM at least one third of the directors, representing those directors who have been in office the longest since their election, and, in addition, any directors appointed by the board of directors since the last AGM are required to resign and are then reconsidered for election, assuming they wish to stand for re-election. Accordingly, Messrs. D.C. Pusinelli (appointed September 2002), D.G.J. Paterson (appointed July 2004), R.D. Kent (appointed chairman November 2006) and J.P. Williams (appointed July 2004) retire by rotation. Biographical details of these directors are given on pages 8 and 9.

Messrs. D.C. Pusinelli, D.G.J. Paterson and R.D. Kent, being eligible, offer themselves for re-election. Mr. J.P. Williams is not offering himself for re-election as he is retiring at the conclusion of the forthcoming Annual General Meeting ("AGM"). Mr. D.C. Pusinelli has a service contract which can be terminated upon twelve months' notice. Mr. D.G.J. Paterson is a non-executive director and, as such, does not have a service contract. However, the chairman of the board confirms that following formal performance evaluation, Mr. D.G.J. Paterson continues to be effective and to demonstrate commitment to the role including time for board and committee meetings and other duties. Consequently, the board recommends his re-election. The board has concluded, in discussion with Mr. R.D. Kent, who was appointed chairman after last year's AGM, that he will stand for re-election each year.

Mr. P.L. Winkworth, who was appointed a director in August 1984, is stepping down as a director before the forthcoming AGM.

Mr. P.N. Buckley, who was appointed a director in November 1995, is retiring before the end of the calendar year 2007. Consequently he will not be offering himself for re-election as required by the Combined Code for a non-executive director who has been in office for longer than nine years.

(e) The company has established an employee benefit trust in which all employees of the group, including executive directors, are potential beneficiaries. The trust currently owns 2,353,848 (2006: 1,474,335) shares in the company, all of which are conditionally earmarked for share awards. The trust acquired these shares at an average cost of 726.4p (2006: 563p) per share compared to a market value of 814.5p per share at 31st July, 2007. Dividends have been waived on these shares. The trustees of the employee benefit trust retain the voting rights over the shares held in the trust and exercise these rights independent of the interests of the company.

Full details of directors' shareholdings and options to subscribe are open to inspection in the Register of Directors' Interests at the company's registered office.

Supplier Payment Policy
All banking, securities and investment transactions are settled in accordance with applicable terms and conditions of business agreed with the counterparty. Average creditor days for all other approved expenses was 24 (2006: 23).

Auditors
A resolution to reappoint Deloitte & Touche LLP as the company's auditors will be proposed at the forthcoming AGM.

Special Business at the Annual General Meeting
Authority to purchase own shares
At the last AGM the company was given authority to make market purchases of up to approximately 15% of its issued share capital. This authority, which will expire at the conclusion of the AGM, has not been used by the directors. Nevertheless the board considers it would be appropriate to renew the authority. Share purchases would only be made where the directors believed that they were in the best interests of the company and would enhance earnings per share, taking into account other available investment opportunities and the overall financial position of the group. Accordingly, a special resolution will be proposed at the AGM to authorise the company to purchase not more than 22,099,000 of its 25p ordinary shares, being approximately 15% of the issued share capital of the company.

The maximum price which may be paid will not be more than the higher of (i) 5% above the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made; and (ii) an amount equal to the higher of the price of the last independent trade of a share as derived from the London Stock Exchange and the highest current independent bid on the London Stock Exchange Official List at the time the purchase is carried out. The minimum price will be the par value. The directors would only begin to purchase shares after considering the criteria referred to above. The authority will expire on whichever date is the earlier of the date 18 months from the date the special resolution is passed and the date of the 2008 AGM. Details of shares purchased pursuant to the authority will be notified to the London Stock Exchange and to the Registrar of Companies and will be disclosed in the 2008 Annual Report.

Directors' authority to allot shares
A resolution will be proposed at the AGM to grant the directors authority to allot unissued shares of the company up to a nominal amount of £12,277,000, which represents approximately one third of the issued share capital. Other than in respect of options in issue, the directors do not have any present intention to allot unissued shares pursuant to this authority. The authority, if granted, will last for a period of five years from the date of passing of the resolution.

Waiver of pre-emption rights
It is proposed to renew, until the next AGM, the directors' flexibility to issue shares for cash other than strictly pro rata to existing shareholders. This authority will be limited to a nominal amount of £1,841,000 which represents approximately 5% of the issued share capital. The directors intend to comply with the guidelines of the investment committees of the Association of British Insurers and the National Association of Pension Funds to the effect that no more than 7.5% of the issued share capital should be allotted for cash on a non pre-emptive basis in any rolling three year period.

By order of the board

R.D. Sellers
Company Secretary

24th September, 2007

Corporate Governance

The board of the company ("the board") has reviewed its Corporate Governance practices and, together with relevant information contained in the Report of the Board on Directors' Remuneration on pages 28 to 35 and the Report of the Directors on pages 21 to 23, this statement explains how the company has applied the principles of good governance contained in the Combined Code on Corporate Governance published in July 2003 by the Financial Reporting Council ("the Combined Code") for the year ended 31st July, 2007.

Compliance with the Combined Code

The company has complied with the Combined Code throughout the year ended 31st July, 2007, except that the chairman, Mr. R.D. Kent, was a member of the Remuneration Committee from November 2006. Whilst the Combined Code published in June 2006 does allow the chairman to be a member of the Remuneration Committee, the Code also states he must be considered independent on appointment as chairman, which the board acknowledges he was not. However, in the opinion of the board, Mr. Kent's membership of the Remuneration Committee is justified by his experience and knowledge of current remuneration practice within financial services.

Board Responsibilities

The board currently comprises five executive directors, six non-executive directors, and the chairman. The senior independent director is Mr. P.S.S. Macpherson.

The board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties. The board meets regularly throughout the year (normally monthly) to deal with important aspects of the group's affairs, including setting and monitoring strategy, reviewing performance, risk management, regulatory compliance and internal control, ensuring adequate financial resources and reporting to shareholders. The chairman is responsible for running the board and the chief executive is responsible for running the company's business which ensures a clear division of responsibility at the head of the company. The management board, comprising solely senior executives of the group, assists the chief executive both in developing strategy and business objectives, and with the day to day management of the group. All directors have direct access to the advice and services of the company secretary and outside professional advisers as necessary, at the company's expense.

Board Committees

The board has appointed the following committees, whose members are all non-executive directors and for which terms of reference are available on the company's website.

Audit Committee

Messrs. D.G.J. Paterson (chairman) (appointed April 2004), B.N. Carnegie-Brown (appointed September 2006), P.S.S. Macpherson (appointed May 2003) and J.P. Williams (appointed September 2004).

Membership

Mr. D.G.J. Paterson, the chairman of the Audit Committee, as a senior partner in the banking and capital markets division of PricewaterhouseCoopers until 2004 and as a non-executive director of Goldman Sachs International Bank has, in the view of the board, the appropriate level of recent and relevant financial experience as required by the Combined Code. Mr. R.D. Sellers, the group company secretary, acts as secretary to the Committee. The chief executive, finance director and heads of Group Risk, Compliance and Internal Audit attend by invitation. Representatives of the group's auditors also generally attend the meetings at least twice a year. The Committee also meets regularly without members of the management present. The Committee had four scheduled meetings during the year.

Role

The role of the Committee includes:

- monitoring the integrity of the financial statements of the company and the form and content of published financial announcements;
- reviewing accounting policies, accounting treatments, judgements and disclosures in financial reports;
- reviewing the adequacy of the group's system of risk management, regulatory compliance and internal control;
- reviewing the group's whistleblowing procedures;
- monitoring and reviewing the effectiveness of Group Internal Audit; and,
- making recommendations to the board as to the appointment or reappointment and remuneration of the group's external auditors, including assessing independence and objectivity, approving their terms of engagement, reviewing their findings and performance and overseeing the relationship with them.

The Committee reports to the board on all these issues identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

External auditors

As in previous years, the Committee conducted a review of the service provided by the group's external auditors. The results of this review were shared with the external auditors and provide the basis for our recommendation as to their re-appointment.

Non-audit Services Policy

The Committee have agreed a clear policy on the engagement of our external auditors for non-audit services. Where work is closely related to the audit, for example accounting advice or stock exchange reporting, work may be awarded to the external auditors. If the work is of a nature such that a detailed understanding of the group is necessary, or where significant benefit can be gained from work previously conducted, for example tax advice or due diligence on transactions, the work may be awarded to the external auditors, except that if it exceeds £100,000 in value, it must first be approved by the Committee. The Committee believe that this policy provides a more relevant measure of auditor independence than the monetary ratios and guidelines followed by some investors. A breakdown of the fees paid to our auditors in respect of audit and non-audit work is included in note 5 on page 48.

Remuneration Committee
Messrs. M.G.A. McLintock (chairman) (appointed November 2004), R.D. Kent (appointed March 2007) and P.S.S. Macpherson (appointed September 2004).

The role, policies and workings of the Committee are detailed in the Report of the Board on Directors' Remuneration on pages 28 to 35.

The Committee's key role is to determine the remuneration and other terms and conditions of employment of the executive directors, management board members and the company secretary.

Nomination and Governance Committee
Messrs. R.D. Kent (chairman) (appointed November 2006), P.S.S. Macpherson (appointed November 2005), M.G.A. McLintock (appointed September 2004), D.G.J. Paterson (appointed November 2005) and J.P. Williams (appointed November 2005).

Role
The role of the Committee includes:
- considering the appointment or retirement of directors;
- reviewing proposed nominations and governance procedures and to make recommendations thereon to the board. Before an appointment is made the skills, knowledge and experience required for a particular appointment are evaluated and external advisers may be used to facilitate the search for suitable candidates;
- regular reviews of the structure, size and composition of the board;
- considering the leadership needs of the group and succession planning; and
- assessing the contribution of non-executive directors.

During the year the Committee met to consider:
- the appointment of a new finance director;
- Committee membership; and
- the size and composition of the board.

Board Evaluation
The board conducts a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors. The chairman leads a formal review and discussion of the performance of the board and its committees. The performance of individual executive directors is formally assessed annually by the chief executive and reviewed with the non-executive directors. Non-executive directors' performance is assessed by the chairman, the senior independent director and the chief executive. The chairman's performance is reviewed by the non-executive directors, led by the senior independent director, having consulted with the executive directors. Following its annual performance review, the board concluded that each of its committees and each of its directors remained effective and committed to their role.

In respect of the Audit Committee, the board is satisfied that the chairman of that committee, Mr. D.G.J. Paterson, has recent and relevant financial experience.

Independence of Non-executive Directors
The board is of the opinion that each non-executive director acts in an independent and objective manner. The board's opinion was determined by considering for each non-executive director: whether he is independent in character and judgement; how he conducts himself in board meetings; whether he has any relationships or whether there are any circumstances which are likely to affect, or could appear to affect, his judgement; and whether he acts in the best interests of the company and all its shareholders at all times. Furthermore, in determining that Messrs. P.N. Buckley and M.G.A. McLintock are independent notwithstanding their directorships of Caledonia Investments plc (which owns approximately 12% of the company) and Prudential plc (which has an interest in approximately 11% of the company held across a range of its investment and managed funds) respectively, the board took into account that neither of them attends board meetings as appointee of those companies. Mr. P.N. Buckley is retiring from the board before the end of the calendar year 2007.

Internal Control
The board has overall responsibility for the group's systems of risk management, regulatory compliance and internal control and for reviewing their effectiveness. The systems are designed to ensure that the key risks taken by the company and its subsidiaries in the conduct of their business are identified and evaluated so that appropriate controls are put in place to manage those risks. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The system of internal control is supported by a well established organisational structure within the group, with clear levels of responsibility and delegation of authority and a strong control culture embedded in the day to day management of each operating company. Each operating company in the group regularly undertakes a review of, and reports to its board on, these controls and procedures, having due regard to its key risks. Where necessary, steps are taken to improve internal control and risk management further, following these reviews. The Risk Management section of the Review of Operations on pages 18 to 20 details these key risks and explains how they are controlled.

Group Internal Audit regularly reviews the effectiveness of controls and procedures established by the company and its operating businesses to manage key risks. The head of Group Internal Audit reports through the Audit Committee to the board, to which he has unrestricted access through the chairman.

Corporate Governance

The company has complied with the Turnbull Committee's guidance for directors. Identifying, evaluating and managing the group's significant risks is an ongoing process which is regularly reviewed by the board, and which has been in place for the year ended 31st July, 2007 and up to the date of the approval of these financial statements.

Auditors' Independence

The group employs two firms of auditors. Ernst & Young LLP are the auditors of Close Brothers Limited, the banking subsidiary, and its subsidiaries and of Close Brothers Seydler AG. Deloitte & Touche LLP are the auditors of the company and the remainder of the group.

In addition to their statutory audit responsibilities, the group will typically use the auditors for other work that they are well placed to undertake because of that role. This includes formalities relating to borrowings, shareholder and other circulars; regulatory, pension scheme and other ancillary audit work; work in respect of acquisitions and disposals; and tax compliance.

Several firms are considered for other work, including the auditors in some instances. In such cases due consideration is given to the impact of the assignment on the independence of the auditors and to their qualifications to carry out the role, including competitive tenders for larger assignments.

Having given consideration to the extra work undertaken by the auditors, and after review with the responsible partners in the two firms and the executive directors, the Audit Committee is satisfied as to the independence of the statutory auditors.

Relations with Shareholders

The group has a programme of communication with shareholders through the interim and annual reports, the AGM and regular webcasts. Shareholders are given the opportunity to participate by asking questions at the AGM, or by submitting written questions in advance. The group's website at www.closebrothers.co.uk contains information on the group, including up to date relevant shareholder information, as well as information on the products and services it offers. Communication with the group's major institutional shareholders is undertaken by a programme of visits and presentations. Feedback from this programme is reported to the board to ensure it develops an understanding of the views of the major shareholders of the company.

Going Concern

The financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the financial statements, the group has the resources to continue in business for the foreseeable future.

Attendance at Meetings

The table below identifies the number of board and committee meetings held in the year to 31st July, 2007 and the attendance record of their members:

	Board Meetings	Audit Committee	Remuneration Committee	Nomination and Governance Committee
Number of scheduled meetings in the year	10	4	4	2
Executive:				
M.A. Hines	10	–	–	–
S.R. Hodges	10	–	–	–
C.D. Keogh	9	–	–	–
D.C. Pusinelli	10	–	–	–
P.L. Winkworth	8	–	–	–
Non-executive:				
P.N. Buckley	9	1[1]	–[3]	–
B.N. Carnegie-Brown	10	3[1]	–	–
R.D. Kent	9	–	2[3]	2
P.S.S. Macpherson	10	4	3	2
M.G.A. McLintock	9	–	4	2
D.G.J. Paterson	10	4	–	2
Sir David Scholey	2[2]	–	–	–
J.P. Williams	9	4	–	2

[1] On 21st September, 2006 Mr. B.N. Carnegie-Brown was appointed to the Audit Committee when Mr. P.N. Buckley retired from this Committee.

[2] On 1st November, 2006 Sir David Scholey retired from the board at the conclusion of the Annual General Meeting when Mr. R.D. Kent was appointed chairman of the board and chairman of the Nomination and Governance Committee.

[3] On 1st March, 2007 Mr. R.D. Kent was appointed to the Remuneration Committee when Mr. Buckley retired from this Committee.

Social Responsibility

Introduction
In all its activities Close Brothers takes account of the needs of society and the environment and recognises the importance of maintaining its ethical standards. The board views meeting those needs and standards as the group's Social Responsibility ("SR") and takes collective responsibility for it. The board communicates its SR policy to all group companies and encourages and supports the adoption of key SR principles, whilst recognising the devolved and independent nature of its businesses. In addition systems, overseen by the company secretary, are in place to collect relevant data which seeks to enable improved measurement of SR objectives.

With respect to the social, environmental and ethical issues involved in SR, the board has set the four key objectives addressed below.

Staff Welfare
To maintain working conditions for employees and visitors, each business has established procedures appropriate to their particular activities to monitor and improve health and safety standards and the working environment generally.

To combat stress in the work place staff need support in maintaining a positive work life balance. Measures to deliver this include ill health protection, four times salary life insurance cover, time away from work (including a minimum two week single leave period for all staff as part of holiday entitlement), access to medical service during working hours, and health screening, including on-site cholesterol and blood pressure screening. Some group companies offer enhanced maternity and paternity benefits as well as nursery voucher schemes and flexible working arrangements.

All group companies give appropriate consideration to applications for employment from all sources. As an example, for the purposes of training, career development and promotion, disabled staff, including any who become disabled in the course of their employment, are treated on equal terms with other staff.

Operating divisions are also encouraged to develop their own consultation policies. For example, many businesses hold regular meetings between local management and employees to allow a free flow of information and ideas and to discuss decisions likely to affect their interests.

In accordance with our commitment to develop systems to measure SR performance, the group has started to collate statistical data on all employees throughout the group, which highlights that over 34% of Close Brothers staff have been employed by the group for five years or more. Many staff participate directly in the success of the group through its savings related share options scheme.

During the year the group commissioned a third party to carry out, for the first time, a group wide employee survey. Benchmark comparisons with other companies were made and a number of initiatives are now being developed as a result. A follow up survey is planned in 2009.

Community Support and Charitable Donations
Charitable donations made during the year amounted to £186,000 (2006: £147,000), with group contributions being made in two ways. Firstly, group companies contribute to recognised charities where significant humanitarian or environmental incidents have occurred. Also staff may have their own charitable fundraising endeavours matched by the group; we continue to look to improve staff awareness of this to encourage participation.

Further, the group seeks to encourage staff themselves to make charitable donations by offering, and paying the administration costs of, a Give As You Earn scheme.

The Environment
The group has implemented processes to manage environmental risks so as to lower its greenhouse gas emissions and reduce and recycle, wherever possible, waste materials but also continues to seek improvements. For example, the group has obtained a guarantee from its electricity provider that all of the electricity supplied to the group's largest office in London, which accommodated over 15% of the workforce, was from renewable sources; and most of its confidential paper waste was recycled. Wherever possible old IT equipment was donated to local schools or reused at our disaster recovery sites. The group continues to be a signatory to the Carbon Disclosure Project, which encourages all businesses to disclose their climate change risks, opportunities and impacts.

Treating Customers Fairly
The group considers that Treating Customers Fairly ("TCF") has always been part of its business culture. It ensures its regulated businesses comply with the FSA principle that "a firm must pay due regard to the interests of its customers and treat them fairly" and supports the FSA's initiative to embed TCF in business culture. The group aims to deliver to all customers for all products and services fair outcomes based on high standards of conduct and considers that every business has implemented TCF thoroughly.

During the year, all businesses completed a TCF gap analysis to identify any areas for review and each board has adopted a TCF policy statement developed by the business. Compliance with the FSA's TCF objectives is monitored through management information provided periodically at board meetings. All new products and services are reviewed at inception to ensure those objectives have been addressed. TCF is a continuous process and the group will continue to develop its policies and procedures taking into account best practice guidance which the FSA issues from time to time.

Report of the Board on Directors' Remuneration

Introduction
The Directors' Remuneration Report, having been approved by the board, is presented to shareholders in accordance with the reporting requirements of the Directors' Remuneration Report Regulations 2002. The group has complied with the provisions of the Combined Code relating to directors' remuneration throughout the year.

The Remuneration Committee
The Remuneration Committee ("the Committee") determines the remuneration and other terms and conditions of employment of the executive directors, management board members and the company secretary.

The Committee consists entirely of non-executive directors, namely Messrs. M.G.A. McLintock (chairman), R.D. Kent and P.S.S. Macpherson. The group chief executive, Mr. C.D. Keogh, attends meetings by invitation. Mr. R.D. Sellers, the company secretary, is the secretary of the Committee.

The board regards Messrs. McLintock and Macpherson as independent as explained in the Corporate Governance Report on pages 24 to 26. Mr. Kent, as chairman of the company, is not regarded as independent, but the justification for his membership is explained under "Compliance with the Combined Code" on page 24. Details of the number of meetings and each member's attendance are set out in the table on page 26.

When considered appropriate, advice is taken from external consultants on a range of matters, including comparative data and other matters relevant to the remuneration of senior executives. The terms of reference of the Committee comply with the Combined Code and are available on the company's website.

Remuneration Policy
The Committee aims to ensure that the senior executive remuneration arrangements are fair, competitive and motivating within the context of the financial sector. With this objective in mind, the remuneration policy (which is essentially unchanged from the policy in 2005) is based on a remuneration structure which:
- motivates executives in the short term whilst also linking remuneration to the long term performance of the group;
- aligns the interests of executive directors with those of shareholders through performance related awards reflecting the results of the group and, depending on amount, a proportion of such awards being deferred and satisfied in shares;
- is appropriate in comparison with remuneration arrangements of competitors and in relation to that of senior group employees who are not directors; and
- reflects group profit levels and rewards profit growth, with performance related awards forming a significant element of total compensation.

In determining directors' remuneration, consideration is given to matters specific to the company such as returns to shareholders, profit and earnings performance, both in absolute terms and measured against budget. The quality of profit and earnings performance is also considered in the context of market conditions and whether broadly based across all divisions or derived more narrowly, as well as the application of risk controls across the business. Other considerations are the experience and performance of individual directors, their areas of responsibility and remuneration levels throughout the group and comparable market remuneration data. Finally, consideration is taken of the proportion of profit accounted for by total executive directors' remuneration. The Committee considers that an effective remuneration policy needs to be sufficiently flexible and kept under review in order to take account of future changes in the company's business environment and in remuneration practice. Accordingly, the policy may be amended in future years.

Components of Remuneration
Basic salary, benefits and allowances
The policy is to provide basic salaries which, when taken with potential performance related awards and pension provision payments, are competitive relative to comparable companies. The majority of executive directors' remuneration is performance related and basic salaries will, as a general principle, only normally be reviewed every several years other than as circumstances require, for example in the case of a promotion or change in responsibility.

The company also provides executive directors with benefits which consist of healthcare cover, prolonged disability and life assurance cover, a company car or payment of an allowance in lieu thereof and an amount in lieu of pension entitlement.

Annual discretionary performance related awards
Annual performance related awards are at the discretion of the Committee, are not pensionable and are determined in the light of the factors described in the Remuneration Policy described in this report.

The Committee does not consider it appropriate to set an upper limit on these awards because of the cultures and remuneration practices within the group and in similar financial services businesses. The majority of any such award is set with regard to the overall financial performance of the group except in respect of Mr. M.A. Hines, chief executive of Winterflood, whose performance related award is paid from a formula based profit sharing pool for Winterflood and is thus directly linked to the performance of that business.

In line with the Committee's general principles, a proportion of an executive director's performance related award may be deferred and satisfied in ordinary shares of the company ("shares"). Performance related awards up to 100% of salary will be paid in cash without deferral. Awards in excess of 100% of salary will usually be paid 65% in cash without deferral and 35% in shares which vest after two years ("the Deferred Element"). The Deferred Element will be forfeited if the executive director leaves employment in certain circumstances or is dismissed for cause before the relevant vesting date. The number of shares comprised in the Deferred Element will be determined by reference to the market value of a share shortly following the announcement of the company's results for the relevant financial year. Following vesting, these shares may be called for at any time up to the seventh anniversary of grant. When the shares are called for, the executive director is entitled to the value of dividends in respect of the shares under the Deferred Element accumulated over the period of deferral. In the case of Mr. M.A. Hines any deferred element is decided on a discretionary basis, is payable in cash and is deferred until September 2008. In the case of Mr. P.L. Winkworth, who is stepping down as a director before the forthcoming AGM, none of his performance related award has been deferred in respect of the year ended 31st July, 2007.

Details of the performance related awards in respect of the year ended 31st July, 2007 are set out on page 31.

Long term incentives
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 and the last grant to executive directors was made in September 2003.

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 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 the company's financial performance, while also recognising relative stock market performance. Performance criteria will be calculated by the Committee and independently and externally verified.

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 company'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 company's EPS growth over any five year period during the life of the option to be in the top 25% of FTSE-100 companies.

Executive directors are also entitled to participate in the SAYE Scheme on the same terms as other employees under which options are granted for a fixed contract period of three or five years, usually at a discount of 20% to the mid-market price.

Pensions
Messrs. S.R. Hodges, C.D. Keogh and D.C. Pusinelli participated in the group's defined benefits pension scheme from which their benefits are described below.

The group's defined benefits pension scheme was closed to new entrants in August 1996, the normal pensionable age is 65, the pension at normal pensionable age is two thirds of final pensionable salary subject to completion of 30 years' service and there is a 50% widow's pension on death. Pensionable salary for executive directors who participated in the group's defined benefits pension scheme was set at their salary at 1st August, 2001 plus increases to reflect RPI to a maximum of 2% per annum from 1st August, 2002.

The company contribution rate for the group's defined benefits pension scheme was determined by the scheme actuary and was 29.5% per annum of pensionable salary.

The table at the top of the next page summarises pension benefits from the group's defined benefits pension scheme for those executive directors who participated in the scheme. The accrued pension is that which would be paid annually on retirement based on service to the end of the year. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 and represents potential liabilities of the group's defined benefits pension scheme in respect of the relevant executive director and does not necessarily represent a sum paid or payable to the executive director.

Report of the Board on Directors' Remuneration

	Transfer value of accrued pension				Accrued pension	
	At 31st July, 2006 £'000	Director's contributions £'000	Change during the year £'000	**At 31st July, 2007 £'000**	Increase during the year £'000	**At 31st July, 2007 £'000**
S.R. Hodges	1,314	16	180	**1,510**	8	**131**
C.D. Keogh	1,330	16	183	**1,529**	8	**131**
D.C. Pusinelli	955	13	131	**1,099**	6	**99**

Messrs. M.A. Hines and P.L. Winkworth participated in defined contribution pension schemes and received an allowance equivalent to the company's pension contribution rate for their pension scheme.

External Appointments

Any external appointments require board approval. No fees were earned from such appointments by any executive director. If they were, they would be taken into account in determining their remuneration.

Executive Directors' Service Contracts

Executive directors' service contracts are terminable on twelve months' notice and do not contain a liquidated damages clause on termination. In the event of termination of a contract it is current policy to seek appropriate mitigation of loss by the director concerned and to ensure that any payment made is commensurate with the company's legal obligations. The employer may at its discretion terminate the contract by making a payment in lieu of notice equal to the remuneration and benefits which the director would have received during his notice period. Executive directors' service contracts were entered into on the following dates:

M.A. Hines	27th August, 1999
S.R. Hodges	22nd January, 2001
C.D. Keogh	22nd January, 2001
D.C. Pusinelli	26th September, 2002
P.L. Winkworth	2nd August, 1984

It is expected that Mr. P.L. Winkworth will be paid twelve months' remuneration and benefits upon the termination of his contract with the group in accordance with the terms of his contract. Such payments will be disclosed as remuneration in the year in which they are paid or contractually committed.

Chairman and Non-executive Directors

The chairman and the non-executive directors are engaged under a letter of appointment for terms not exceeding three years, which are renewable by mutual agreement and terminable without notice. In respect of the services of Mr. P.N. Buckley as a non-executive director for the year ended 31st July, 2007, Caledonia Investments plc was paid £40,000, as disclosed in the remuneration table on page 31.

Remuneration of the chairman and all non-executive directors is set by the board in accordance with the Articles of Association (without the participation of the chairman and non-executive directors themselves) and was £160,000 per annum for the chairman and £40,000 per annum for each non-executive director. In addition the chairman of each of the Audit Committee, the Nomination and Governance Committee and the Remuneration Committee receives an additional £5,000 per annum.

Retired Executive Directors' Remuneration

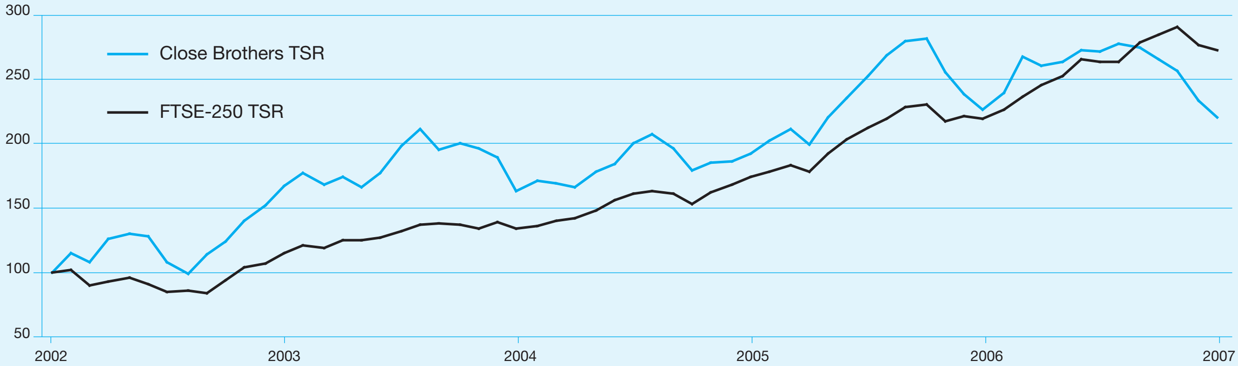
Mr. R.D. Kent, who retired as an executive director on 31st October, 2002, was retained by the company as a consultant from that date for an annual fee of £100,000. This consultancy arrangement was terminated on 1st November, 2006 when he became chairman. Under the terms of this arrangement Mr. Kent made himself available to provide advice and assistance in connection with reviewing potential acquisitions as well as other matters for up to 25 working days per year.

Mr. B.M. Winterflood, who retired as a director on 31st January, 2002, is non-executive chairman of Winterflood for which he receives an annual fee of £75,000 and benefits of £25,000.

Mr. D.G. Hardisty, who retired as a director on 31st July, 2003, was retained by Close Asset Finance Limited, a subsidiary of the company, as a consultant for an annual fee of £125,000. Mr. Hardisty was chief executive of Close Asset Finance Limited until his retirement. The agreement was dated 31st July, 2003 for an initial period of four years and was terminated on 31st July, 2007. Under the terms of this arrangement Mr. Hardisty made himself available to provide advice and assistance in connection with reviewing potential business opportunities, particularly in Europe, as well as other matters for up to 35 working days per year.

Total Shareholder Return

The graph below shows a comparison of TSR for the company's shares for the five years ended 31st July, 2007 against the TSR for the companies comprising the FTSE-250 Index. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend date. The index has been selected because the company has been a constituent of the index throughout the period.



Source: Thomson Datastream.

Directors' Remuneration

The following table shows the remuneration of each director for the year ended 31st July, 2007:

	Salaries and fees £'000	Benefits and allowances[1] £'000	Performance related awards in respect of the current year: Current £'000	Deferred[2] £'000	Total: **2007 £'000**	2006 £'000	Company pension contributions: **2007 £'000**	2006 £'000
Executive:								
M.A. Hines	215	102	911	200	**1,428**	1,402	**–**	77
S.R. Hodges	350	32	1,003	352	**1,737**	1,657	**88**	124
C.D. Keogh	400	57	1,245	456	**2,158**	2,046	**88**	137
D.C. Pusinelli	315	35	793	257	**1,400**	1,329	**73**	109
P.L. Winkworth	350	125	1,355	–	**1,830**	1,662	**–**	88
Non-executive:								
P.N. Buckley	40	–	–	–	**40**	40	**–**	–
B.N. Carnegie-Brown	40	–	–	–	**40**	4	**–**	–
R.D. Kent	159	–	–	–	**159**	140	**–**	–
P.S.S. Macpherson	40	–	–	–	**40**	40	**–**	–
M.G.A. McLintock	45	–	–	–	**45**	45	**–**	–
D.G.J. Paterson	45	–	–	–	**45**	45	**–**	–
J.P. Williams	40	–	–	–	**40**	40	**–**	–
Sir David Scholey[3]	41	–	–	–	**41**	165	**–**	–
	2,080	351	5,307	1,265	**9,003**	8,615	**249**	535

1 Benefits and allowances received by directors consist of healthcare cover, prolonged disability and life assurance cover, a company car or payment of an allowance in lieu thereof and an amount in lieu of pension entitlement.

2 Deferred performance related awards will be satisfied in shares at a future date as detailed in the table on page 32 except for the award to Mr. M.A. Hines, which is payable in cash in September 2008 together with accrued notional interest (at base rate) thereon. This entitlement will lapse if he leaves employment in certain circumstances prior to September 2008.

3 Sir David Scholey retired as chairman on 1st November, 2006.

Report of the Board on Directors' Remuneration

Directors' Deferred Share Awards

The deferred share award forms part of the annual performance related award and consists of the right for an executive to call for shares in the company from the employee benefit trust, at nil cost, together with a cash amount representing accrued notional dividends thereon. If the executive leaves employment in certain circumstances prior to 1st August immediately preceding the vesting date those entitlements will lapse. Following vesting, these shares may be called for at any time up to the seventh anniversary of grant. The value of the share award at the grant date is charged to the group's income statement in the year to which the award relates. The deferred share awards held by each director at 31st July, 2007 were:

Grant year	Held at 1st August, 2006	Number of shares granted	Number of shares called for	**Held at 31st July, 2007**	Earliest vesting date
S.R. Hodges					
2000	21,887	–	(21,887)[1]	**–**	Aug 2002
2001	13,576	–	–	**13,576**	Aug 2003
2003	40,000	–	–	**40,000**	Sep 2004[2]
2004	46,841	–	–	**46,841**	Sep 2006
2005	46,239	–	–	**46,239**	Sep 2007
2006	50,160	–	–	**50,160**	Sep 2008
2007	–	43,591	–	**43,591**	Sep 2009
	218,703	43,591	(21,887)	**240,407**	
C.D. Keogh					
2003	52,000	–	–	**52,000**	Sep 2004[2]
2004	62,100	–	–	**62,100**	Sep 2006
2005	60,110	–	–	**60,110**	Sep 2007
2006	65,101	–	–	**65,101**	Sep 2008
2007	–	56,470	–	**56,470**	Sep 2009
	239,311	56,470	–	**295,781**	
D.C. Pusinelli					
2004	26,614	–	–	**26,614**	Sep 2006
2005	29,901	–	–	**29,901**	Sep 2007
2006	36,552	–	–	**36,552**	Sep 2008
2007	–	31,826	–	**31,826**	Sep 2009
	93,067	31,826	–	**124,893**	
P.L. Winkworth					
2004	46,132	–	–	**46,132**	Sep 2006
2005	46,239	–	–	**46,239**	Sep 2007
2006	50,160	–	–	**50,160**	Sep 2008
	142,531	–	–	**142,531**	

1 The closing mid-market price on the date deferred share awards were called for was 969.5p.
2 In respect of deferred share awards granted in 2003, 50% of the grant vests on the vesting date and the balance one year later.

Directors' LTIP Awards

LTIP awards, which are held by directors under the 2004 LTIP and are subject to the performance criteria described in this report under "Long term incentives" on page 29, were:

Grant year	Held at 1st August, 2006	Number of shares granted	**Held at 31st July, 2007**	Market price upon grant	Earliest vesting date*
M.A. Hines					
2004	28,735	–	**28,735**	654.0p	28th Oct 2007
2005	22,771	–	**22,771**	841.0p	3rd Oct 2008
2006	–	18,812	**18,812**	1008.5p	2nd Oct 2009
	51,506	18,812	**70,318**		
S.R. Hodges					
2004	96,398	–	**96,398**	654.0p	28th Oct 2007
2005	63,760	–	**63,760**	841.0p	3rd Oct 2008
2006	–	52,673	**52,673**	1008.5p	2nd Oct 2009
	160,158	52,673	**212,831**		
C.D. Keogh					
2004	114,942	–	**114,942**	654.0p	28th Oct 2007
2005	85,013	–	**85,013**	841.0p	3rd Oct 2008
2006	–	70,231	**70,231**	1008.5p	2nd Oct 2009
	199,955	70,231	**270,186**		
D.C. Pusinelli					
2004	73,754	–	**73,754**	654.0p	28th Oct 2007
2005	57,384	–	**57,384**	841.0p	3rd Oct 2008
2006	–	47,406	**47,406**	1008.5p	2nd Oct 2009
	131,138	47,406	**178,544**		
P.L. Winkworth					
2004	99,233	–	**99,233**	654.0p	28th Oct 2007
2005	63,760	–	**63,760**	841.0p	3rd Oct 2008
2006	–	52,673	**52,673**	1008.5p	2nd Oct 2009
	162,993	52,673	**215,666**		

* Those LTIP awards which satisfy their performance criteria may be called by the director within twelve months following the vesting date, after which they will lapse.

Directors' Share Option Entitlements

Share option entitlements, other than SAYE options, are subject to the performance criteria described in this report under "Long term incentives" on page 29. Unexercised options over ordinary shares held by directors under the 1995 Scheme and SAYE Scheme were:

Grant year	Held at 1st August, 2006	Number of options granted/(exercised)	**Held at 31st July, 2007**	Exercise price	Earliest exercise date	Expiry date
M.A. Hines						
1999	17,500	–	**17,500**	779.5p	3rd Nov 2002	2nd Nov 2009
1999	17,500	–	**17,500**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	22,200	–	**22,200**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	22,200	–	**22,200**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	12,500	–	**12,500**	560.0p	26th Sep 2006	25th Sep 2011
2002	7,500	–	**7,500**	450.0p	8th Oct 2007	7th Oct 2012
2003	25,000	–	**25,000**	732.5p	7th Oct 2006	6th Oct 2013
2003	25,000	–	**25,000**	732.5p	7th Oct 2008	6th Oct 2013
2005 SAYE	1,414	–	**1,414**	661.0p	1st Dec 2008	31st May 2009
	150,814	–	**150,814**			

Report of the Board on Directors' Remuneration

Directors' Share Option Entitlements

Grant year	Held at 1st August, 2006	Number of options granted/(exercised)	**Held at 31st July, 2007**	Exercise price	Earliest exercise date	Expiry date
S.R. Hodges						
1997	22,500	(22,500)*	**–**	482.5p	30th Oct 2000	29th Oct 2007
1997	22,500	–	**22,500**	482.5p	30th Oct 2002	29th Oct 2007
1998	42,500	–	**42,500**	417.5p	7th Oct 2001	6th Oct 2008
1998	42,500	–	**42,500**	417.5p	7th Oct 2003	6th Oct 2008
1999	37,500	–	**37,500**	779.5p	3rd Nov 2002	2nd Nov 2009
1999	37,500	–	**37,500**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	26,665	–	**26,665**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	26,665	–	**26,665**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	35,000	–	**35,000**	560.0p	26th Sep 2004	25th Sep 2011
2001	35,000	–	**35,000**	560.0p	26th Sep 2006	25th Sep 2011
2002	45,000	–	**45,000**	450.0p	8th Oct 2005	7th Oct 2012
2002	45,000	–	**45,000**	450.0p	8th Oct 2007	7th Oct 2012
2003	55,000	–	**55,000**	732.5p	7th Oct 2006	6th Oct 2013
2003	55,000	–	**55,000**	732.5p	7th Oct 2008	6th Oct 2013
2005 SAYE	1,414	–	**1,414**	661.0p	1st Dec 2008	31st May 2009
	529,744	(22,500)	**507,244**			

* The closing mid-market price on the date of exercise was 985.0p.

Grant year	Held at 1st August, 2006	Number of options granted/(exercised)	**Held at 31st July, 2007**	Exercise price	Earliest exercise date	Expiry date
R.D. Kent						
1997	75,000	–	**75,000**	482.5p	30th Oct 2002	29th Oct 2007
1998	55,000	–	**55,000**	417.5p	7th Oct 2003	6th Oct 2008
1999	50,000	–	**50,000**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	33,330	–	**33,330**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	33,330	–	**33,330**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	37,500	–	**37,500**	560.0p	26th Sep 2006	25th Sep 2011
	284,160	–	**284,160**			
C.D. Keogh						
1997	17,500	(17,500)*	**–**	482.5p	30th Oct 2000	29th Oct 2007
1997	17,500	–	**17,500**	482.5p	30th Oct 2002	29th Oct 2007
1998	42,500	–	**42,500**	417.5p	7th Oct 2001	6th Oct 2008
1998	42,500	–	**42,500**	417.5p	7th Oct 2003	6th Oct 2008
1999	37,500	–	**37,500**	779.5p	3rd Nov 2002	2nd Nov 2009
1999	37,500	–	**37,500**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	26,665	–	**26,665**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	26,665	–	**26,665**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	35,000	–	**35,000**	560.0p	26th Sep 2004	25th Sep 2011
2001	35,000	–	**35,000**	560.0p	26th Sep 2006	25th Sep 2011
2002	56,250	–	**56,250**	450.0p	8th Oct 2005	7th Oct 2012
2002	56,250	–	**56,250**	450.0p	8th Oct 2007	7th Oct 2012
2002 SAYE	3,360	–	**3,360**	391.0p	1st Dec 2007	31st May 2008
2003	60,000	–	**60,000**	732.5p	7th Oct 2006	6th Oct 2013
2003	60,000	–	**60,000**	732.5p	7th Oct 2008	6th Oct 2013
2003 SAYE	540	–	**540**	586.0p	1st Dec 2008	31st May 2009
	554,730	(17,500)	**537,230**			

* The closing mid-market price on the date of exercise was 985.0p.

Directors' Share Option Entitlements

Grant year	Held at 1st August, 2006	Number of options granted/(exercised)	**Held at 31st July, 2007**	Exercise price	Earliest exercise date	Expiry date
D.C. Pusinelli						
1997	12,500	(12,500)*	**–**	482.5p	30th Oct 2000	29th Oct 2007
1997	12,500	–	**12,500**	482.5p	30th Oct 2002	29th Oct 2007
1998	15,000	–	**15,000**	417.5p	7th Oct 2001	6th Oct 2008
1998	15,000	–	**15,000**	417.5p	7th Oct 2003	6th Oct 2008
1999	30,000	–	**30,000**	779.5p	3rd Nov 2002	2nd Nov 2009
1999	30,000	–	**30,000**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	15,550	–	**15,550**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	15,550	–	**15,550**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	15,000	–	**15,000**	560.0p	26th Sep 2004	25th Sep 2011
2001	15,000	–	**15,000**	560.0p	26th Sep 2006	25th Sep 2011
2002	22,500	–	**22,500**	450.0p	8th Oct 2005	7th Oct 2012
2002	22,500	–	**22,500**	450.0p	8th Oct 2007	7th Oct 2012
2002 SAYE	4,200	–	**4,200**	391.0p	1st Dec 2007	31st May 2008
2003	42,500	–	**42,500**	732.5p	7th Oct 2006	6th Oct 2013
2003	42,500	–	**42,500**	732.5p	7th Oct 2008	6th Oct 2013
	310,300	(12,500)	**297,800**			

* The closing mid-market price on the date of exercise was 985.0p.

Grant year	Held at 1st August, 2006	Number of options granted/(exercised)	**Held at 31st July, 2007**	Exercise price	Earliest exercise date	Expiry date
P.L. Winkworth						
1997	70,000	(70,000)[1]	**–**	482.5p	30th Oct 2000	29th Oct 2007
1997	70,000	–	**70,000**	482.5p	30th Oct 2002	29th Oct 2007
1998	50,000	(50,000)[2]	**–**	417.5p	7th Oct 2001	6th Oct 2008
1998	50,000	–	**50,000**	417.5p	7th Oct 2003	6th Oct 2008
1999	45,000	–	**45,000**	779.5p	3rd Nov 2002	2nd Nov 2009
1999	45,000	–	**45,000**	779.5p	3rd Nov 2004	2nd Nov 2009
2000	30,000	–	**30,000**	1125.0p	23rd Oct 2003	22nd Oct 2010
2000	30,000	–	**30,000**	1125.0p	23rd Oct 2005	22nd Oct 2010
2001	37,500	(37,500)[2]	**–**	560.0p	26th Sep 2004	25th Sep 2011
2001	37,500	–	**37,500**	560.0p	26th Sep 2006	25th Sep 2011
2002	45,000	(45,000)[2]	**–**	450.0p	8th Oct 2005	7th Oct 2012
2002	45,000	–	**45,000**	450.0p	8th Oct 2007	7th Oct 2012
2003	55,000	–	**55,000**	732.5p	7th Oct 2006	6th Oct 2013
2003	55,000	–	**55,000**	732.5p	7th Oct 2008	6th Oct 2013
2005 SAYE	1,414	–	**1,414**	661.0p	1st Dec 2008	31st May 2009
	666,414	(202,500)	**463,914**			

[1] The closing mid-market price on the date of exercise was 969.5p.
[2] The closing mid-market price on the date of exercise was 851.5p.

The closing mid-market price of the company's shares on 31st July, 2007 was 814.5p and the range during the year was 799p to 1081p.

Audit

Directors' remuneration information disclosed on pages 28 to 35, together with the table disclosing directors' benefits from the defined benefits pension scheme on page 30, are required to be, and have been, audited by the company's auditors, Deloitte & Touche LLP.

On behalf of the board

M.G.A. McLintock
Chairman of the Remuneration Committee

24th September, 2007

Report of the Auditors

Independent Auditors' Report to the Members of Close Brothers Group plc

We have audited the group and parent company financial statements (the "financial statements") of Close Brothers Group plc for the year ended 31st July, 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 33. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes specific information presented in the Chairman and Chief Executives' Statement, Review of Operations and Social Responsibility statement that is cross referenced from the Business Review section of the Directors' Report.

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 review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion
In our opinion:
- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31st July, 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31st July, 2007;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London, UK

24th September, 2007

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Consolidated Income Statement
for the year ended 31st July, 2007

	Note	2007 £'000	2006 £'000
Interest and similar income	3	**312,997**	281,926
Interest expense and similar charges		**165,632**	137,624
Net interest income		**147,365**	144,302
Fees and commissions income		**360,786**	302,919
Fees and commissions expense		**(54,091)**	(48,913)
Gains less losses arising from dealing in securities		**115,525**	122,339
Other operating income		**37,213**	15,627
Other income		**459,433**	391,972
Operating income		**606,798**	536,274
Administrative expenses	3	**376,323**	346,256
Depreciation and amortisation	13	**15,083**	14,083
Impairment losses on loans and advances	8	**21,541**	18,621
Impairment losses on goodwill	27	**3,659**	–
Total operating expenses		**416,606**	378,960
Operating profit on ordinary activities before tax	3	**190,192**	157,314
Tax	6	**53,517**	45,280
Profit on ordinary activities after tax		**136,675**	112,034
Profit attributable to minority interests		**3,731**	3,436
Profit attributable to the shareholders of the company		**132,944**	108,598
Basic earnings per share on profit attributable to shareholders	7	**90.4p**	74.1p
Diluted earnings per share	7	**89.8p**	73.8p
Ordinary dividends per share		**37.0p**	32.5p
Special dividend per share		**25.0p**	–

All income and profits are in respect of continuing operations.

Consolidated Balance Sheet

at 31st July, 2007

	Note	2007 £'000	2006 £'000
Assets			
Cash and balances at central banks		**1,631**	1,272
Settlement accounts		**624,935**	628,305
Loans and advances to customers	8	**1,962,443**	1,862,023
Loans and advances to banks	9	**577,928**	510,691
Debt securities and equity shares – long trading positions	10	**116,672**	116,689
Financial instruments classified as available for sale	12	**775,244**	312,788
Certificates of deposit classified as loans and receivables	12	**823,606**	833,655
Equity shares valued at fair value through profit or loss	12	**16,548**	30,190
Floating rate notes held to maturity	12	**27,918**	23,817
Loans to money brokers against stock advanced		**114,294**	156,420
Other receivables	18	**57,890**	88,474
Property, plant and equipment	13	**37,422**	42,549
Intangible assets – goodwill	27	**113,181**	109,807
Intangible assets – other	13	**7,279**	2,623
Deferred tax assets	19	**27,773**	25,362
Prepayments and accrued income		**82,437**	63,135
Derivative financial instruments	11	**7,738**	5,093
Total assets		**5,374,939**	4,812,893
Liabilities			
Settlement accounts		**484,465**	573,671
Deposits by customers	14	**2,302,688**	1,843,074
Deposits by banks	15	**160,567**	168,378
Debt securities and equity shares – short trading positions	10	**66,955**	76,238
Loans and overdrafts from banks	16	**457,839**	363,205
Promissory notes and other debt securities in issue	17	**353,017**	358,014
Loans from money brokers against stock advanced		**185,035**	157,356
Non-recourse borrowings		**150,000**	150,000
Subordinated loan capital	20	**75,000**	75,000
Other liabilities	18	**192,352**	219,673
Current tax liabilities		**29,338**	16,766
Accruals and deferred income		**144,984**	136,791
Derivative financial instruments	11	**20,045**	12,370
Total liabilities		**4,622,285**	4,150,536
Equity			
Called up share capital	21	**36,833**	36,603
Share premium account		**264,612**	259,783
Profit and loss account		**432,440**	346,714
ESOP trust reserve		**(17,100)**	(8,302)
Other reserves		**28,582**	20,189
Minority interests		**7,287**	7,370
Total equity		**752,654**	662,357
Total liabilities and equity		**5,374,939**	4,812,893

Approved by the Board of Directors on 24th September, 2007 and signed on its behalf by:

R.D. Kent
C.D. Keogh } Directors

Consolidated Statement of Changes in Equity
for the year ended 31st July, 2007

	2007 £'000	2006 £'000
Called up share capital		
Opening balance	36,603	36,168
Exercise of options	230	435
Closing balance	36,833	36,603
Share premium account		
Opening balance	259,783	252,210
Exercise of options	4,829	7,573
Closing balance	264,612	259,783
Profit and loss account		
Opening balance	346,714	277,455
Profit for the year	132,944	108,598
Dividends paid	(49,334)	(42,524)
Transfer from share-based awards reserve	1,704	–
Other movements	412	3,185
Closing balance	432,440	346,714
ESOP trust reserve		
Opening balance	(8,302)	(3,786)
Shares purchased	(9,039)	(4,926)
Shares released	241	410
Closing balance	(17,100)	(8,302)
Other reserves:		
Share-based awards reserve		
Opening balance	11,808	7,614
Charge to income statement	4,120	3,307
Transfer to profit and loss account	(1,704)	–
Movement relating to deferred share awards	629	887
Closing balance	14,853	11,808
Exchange movements reserve		
Opening balance	938	1,264
Currency translation differences	(760)	(326)
Closing balance	178	938
Cash flow hedging reserve		
Opening balance	133	(1,843)
Movement on derivatives	1,359	1,976
Closing balance	1,492	133
Available for sale reserve		
Opening balance	7,310	3,431
Movement on available for sale investments	4,749	3,879
Closing balance	12,059	7,310
Total other reserves	28,582	20,189
Minority interests		
Opening balance	7,370	5,870
Charge to income statement	3,731	3,436
Other movements	(3,814)	(1,936)
Closing balance	7,287	7,370
Total equity	752,654	662,357

Consolidated Cash Flow Statement

for the year ended 31st July, 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	33(a)	**573,015**	153,418
Net cash outflow from investing activities:			
Dividends paid to minority interests		**(1,915)**	(1,669)
Purchase of assets let under operating leases		**(5,685)**	(13,865)
Purchase of property, plant and equipment		**(9,623)**	(8,121)
Sale of property, plant and equipment		**6,888**	4,155
Purchase of intangible assets		**(1,849)**	(2,447)
Purchase of equity shares held for investment		**(25,106)**	(9,911)
Sale of equity shares held for investment		**45,267**	11,168
Minority interests acquired for cash		**(10,185)**	(2,853)
Purchase of subsidiaries	33(b)	**(12,402)**	(11,258)
		(14,610)	(34,801)
Net cash inflow before financing		**558,405**	118,617
Financing activities:			
Issue of ordinary share capital including premium		**5,059**	8,008
Equity dividends paid		**(49,334)**	(42,524)
Interest paid on subordinated loan capital		**(5,617)**	(5,616)
Net increase in cash		**508,513**	78,485

Company Balance Sheet
at 31st July, 2007

	Note	2007 £'000	2006 £'000
Fixed assets			
Tangible fixed assets – property, plant and equipment	13	**2,076**	2,331
Investments in subsidiaries		**320,648**	324,115
		322,724	326,446
Current assets: Debtors	29	**199,139**	158,996
Creditors: Amounts falling due within one year	30	**38,102**	32,855
Net current assets		**161,037**	126,141
Total assets less current liabilities		**483,761**	452,587
Creditors: Amounts falling due after more than one year	30	**27,072**	27,072
Net assets		**456,689**	425,515
Capital and reserves			
Share capital	21	**36,833**	36,603
Share premium account		**264,612**	259,783
ESOP trust reserve		**(17,100)**	(8,302)
Share-based awards reserve		**14,853**	11,808
Profit and loss account	22	**157,491**	125,623
Total equity shareholders' funds		**456,689**	425,515

Approved by the Board of Directors on 24th September, 2007 and signed on its behalf by:

R.D. Kent
C.D. Keogh } Directors

The Notes

1. Accounting policies

(a) Compliance with Financial Reporting Standards

The consolidated financial statements are prepared in accordance with all relevant International Financial Reporting Standards ("IFRS") adopted for use in the European Union and therefore comply with Article 4 of the IAS Regulation. IFRS comprise accounting standards issued by the International Accounting Standards Board and its predecessor body as well as interpretations issued by the International Financial Reporting Interpretations Committee and its predecessor body.

The company financial statements are prepared in accordance with Section 226 of, and Schedule 4 to, the Companies Act 1985 and with all relevant UK accounting standards.

(b) Accounting convention

The consolidated financial statements have been prepared under the historical cost convention, modified by the revaluation of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and all derivative contracts. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the group's accounting policies. These notes set out areas involving a higher degree of judgement or complexity or areas where assumptions are significant to the financial statements. These areas include the fair value of financial assets and liabilities, impairment provisions on loans and advances and goodwill.

The company financial statements have been prepared under the historical cost convention.

(c) Basis of consolidation

The consolidated financial statements incorporate the individual financial statements of Close Brothers Group plc, the company, and the entities it controls (its subsidiaries) using the acquisition method of accounting. Control exists where the company has the power to govern an entity's financial and operating policies. The results of subsidiaries are included in the consolidated income statement up to the date of disposal.

Under the acquisition method, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition with the interest of minority shareholders stated at the minority's proportion of these amounts. Any excess of the cost of acquisition over these net assets is booked as goodwill.

The company's associates are consolidated using the equity method.

All intra-group balances, transactions, income and expenses are eliminated. As allowed by IFRS 1, the company has not restated to IFRS acquisitions that took place before 1st August, 2004.

(d) Net interest income

Interest on loans and advances made by the group, and fee income and expense and other direct costs relating to loan origination, restructuring or commitments are recognised in the income statement using the effective interest rate method.

This method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

(e) Fees and commissions net income

Where fees that have not been included within the effective interest rate method are earned on the execution of a significant act, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed. Fees and corresponding expenses in respect of other services are recognised in the income statement as the right to consideration or payment accrues through performance of services. In particular, upfront commissions paid in respect of managing, as opposed to originating, fund products are initially included within "prepayments and accrued income" and then recognised as revenue as the services are provided. To the extent that fees and commissions are recognised in advance of billing they are included as accrued income or expense.

(f) Gains less losses arising from dealing in securities

This includes the net gains arising from both buying and selling securities and from positions held in securities, including related interest income and dividends.

The Notes

1. Accounting policies continued

(g) Loans and advances to customers

Loans and advances are recognised when cash is advanced to borrowers at cost including any transaction costs and are classified as loans and receivables under IAS 39. They are then amortised using the effective interest rate method and recorded net of provisions for impairment losses.

Impairment provisions are made if there is objective evidence of impairment as a result of one or more subsequent events regarding a significant loan or a portfolio of loans ("a loan") and which has an impact that can be reliably estimated.

The amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at original effective interest rate. As the loan amortises over its life, the impairment loss may amortise. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed.

For loans that are not considered individually significant, the group adopts a formulaic approach which allocates a loss rate dependent on the overdue period. Loss rates are based on the discounted expected future cash flows and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

(h) Finance leases, operating leases and instalment finance

A finance lease is a lease or hire purchase contract that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Finance leases are recognised as loans at an amount equal to the gross investment in the lease discounted at its implicit interest rate. Finance charges on finance leases are taken to income in proportion to the net funds invested.

Rental costs under other leases and hire purchase contracts are charged to the income statement in equal annual amounts over the period of the leases.

(i) Equity shares and debt securities

Fair values of all financial instruments are obtained from independent open market sources, independent professional valuers, discounted cash flow models based on prevailing market rates or option pricing models.

- Financial instruments held for trading
  The long and short positions respectively represent the aggregate net bought and net sold positions, held by Winterflood Securities Limited and Close Brothers Seydler AG. They are valued at the dealers' bid and offer prices respectively and are the only financial instruments held for trading. As such they are fair valued through profit or loss and the net gains arising are the only items shown within "gains and losses arising from dealing in securities" in the income statement.
- Other investments designated at inception under the fair value option
  These are equity shares and related loans classified thus because they are managed, and their performance evaluated, on a fair value basis in accordance with a documented investment strategy, with results being reported to the company's board. Resulting gains and losses are included in the income statement within "other operating income".
  Listed investments are valued at bid price. Unlisted investments comprise those made by Close Brothers Private Equity LLP and Close Brothers Growth Capital Limited in the limited liability partnerships that they manage. The partnerships themselves typically invest in unquoted entities via equity and loans and value each investment semi-annually in compliance with the International Private Equity and Venture Capital Valuation Guidelines endorsed by The British Private Equity and Venture Capital Association, their valuations being externally audited annually. Each investment is generally valued at cost for the first year; thereafter valuations are typically based on an appropriate multiple of earnings before interest and tax ("EBIT"). If necessary, the partnerships adjust EBIT, in the latest statutory or management accounts as appropriate, to what are considered sustainable levels based on forecast indicators. With respect to the multiple, a comparable quoted company, group of companies, sector or recent transaction is used and discounted for differences in size, operation, product mix, timing and marketability. The group's valuation of the overall portfolio of partnership interests reflects the illiquid nature of the portfolio and the effect of cash distributions and material changes in the business outlook or performance of the individual investments since their last semi-annual valuation.

- Floating rate notes held to maturity
  These are investments with fixed or determinable payments that are held with the intention and ability to hold to maturity. They are initially recognised at fair value including direct and incremental transaction costs and subsequently valued at amortised cost, using the effective interest rate method.
- Financial instruments classified as available for sale
  These are recognised at fair value plus any directly attributable purchase costs, with changes being accounted for through equity. If such an asset is sold or there is objective evidence that it is impaired, the cumulative gains and losses recognised in equity are recycled to the income statement.
- Certificates of deposit classified as loans and receivables
  These are purchased for liquidity purposes and normally held to maturity. They are unlisted and due to mature within one year and are valued at amortised cost.
- Equity shares held by the employee benefit trust
  These are held at cost and shown within equity as "ESOP trust reserve". Realised surpluses and deficits are not taken to the income statement.

(j) Settlement balances

Settlement balance debtors and creditors are the amounts due to and from counterparties in respect of the group's market-making activities. The balances are short term in nature, do not earn interest and are recorded at the amount receivable or payable.

(k) Stock borrowing

Deposits with money brokers and banks against stock borrowed are the cash collateral provided to these institutions for stock borrowing by the group's market-making activities. Interest is paid on the stock borrowed and earned on the cash deposits held. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount payable. Loans from financial institutions against stock advanced are the equivalent cash liabilities and are accounted for in the same way.

(l) Depreciation

Property, plant and equipment, including freehold investment properties held for long term investment, and computer software classified as "intangible assets – other", are stated at cost less accumulated depreciation or amortisation, less provisions for any impairment. The provision for depreciation or amortisation on these assets is calculated to write off their cost over their estimated useful lives by equal annual instalments as follows:

Fixtures, fittings and equipment	10% to 33%
Motor vehicles	25%
Freehold and long leasehold property	2.5%
Short leasehold property	over the length of the lease
Computer software	20% to 33%

No depreciation is provided in respect of freehold land, which is stated at cost.

(m) Foreign currencies

For the company and those subsidiaries whose balance sheets are denominated in sterling, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising in these cases are taken to the income statement.

The balance sheets of subsidiaries denominated in foreign currencies are translated into sterling at the closing rates. The income statements for these subsidiaries are translated at the average rates and exchange differences arising in these cases are taken to the exchange movements reserve.

As allowed by IFRS 1, cumulative foreign exchange differences up to 31st July, 2004 have not been recognised in the exchange movements reserve.

(n) Deferred tax

Deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set. All deferred tax liabilities are offset against deferred tax assets in accordance with the provisions of IAS 12.

The Notes

1. Accounting policies continued

(o) Intangible assets – goodwill

Goodwill arising on the acquisition of business assets before 1st August, 1998 has been written off to reserves. From that date such goodwill arising was capitalised as an intangible asset and amortised, in equal annual instalments, unless there has been impairment, over its estimated useful life of up to 20 years. From 1st August, 2004, amortisation of goodwill has ceased, negative goodwill is credited to the income statement and the net book value of goodwill is subject to impairment review at least annually.

(p) Pensions

Contributions to defined contribution schemes are charged in the income statement when they become payable.

The liabilities of the group's one defined benefit scheme, which was closed to new entrants in 1996, are measured using the Projected Unit Credit actuarial method and discounted at a rate that reflects the current rate of return on high quality corporate bonds with a term that matches that of the liabilities. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement over the members' expected average remaining working lives.

(q) Share-based awards

The group has for many years operated long term incentive arrangements. 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". The group has applied IFRS 2 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 on a straight line basis over the vesting period.

(r) Derivative financial instruments ("derivatives") and hedge accounting

Derivatives are used only to minimise the impact of interest and currency rate changes to financial assets and liabilities and meet the IAS 39 criteria for hedge accounting. They are carried on the balance sheet at fair value which is obtained from quoted market prices in active markets, including recent market transactions, and discounted cash flow models.

On acquisition, a derivative is designated as a hedge and the group formally documents the relationship between the derivative and the hedged item. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in fair values or cash flows of hedged items. If a hedge was deemed wholly or partially ineffective, the amount of the ineffectiveness, taking into account the timing of the expected cash flows where relevant, would be recorded in the income statement.

For fair value hedges, changes in the fair value are recognised in the income statement, together with changes in the fair value of the hedged item.

For cash flow hedges, the fair value gain or loss associated with the effective proportion of the cash flow hedge is recognised initially directly in equity and recycled to the income statement in the period when the hedged item affects income.

(s) Investments in subsidiaries

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

2. Segmental analysis

	Asset Management £'000	Corporate Finance £'000	Securities £'000	Banking £'000	Group £'000	Total £'000
2007						
Operating income	**198,587**	**77,225**	**127,987**	**197,762**	**5,237**	**606,798**
Profit before tax	**77,653**	**22,464**	**44,072**	**71,726**	**(25,723)***	**190,192**
Depreciation, amortisation and impairment of assets	**2,508**	**372**	**3,069**	**8,151**	**4,642**	**18,742**
Total equity	**151,871**	**28,268**	**92,180**	**295,114**	**185,221**	**752,654**
Total assets	**1,056,993**	**71,772**	**911,817**	**3,387,795**	**(53,438)**	**5,374,939**
Property, plant, equipment and intangible asset expenditure	**2,189**	**830**	**2,694**	**11,322**	**122**	**17,157**
Average number of persons employed	**864**	**175**	**259**	**1,207**	**66**	**2,571**

* Group profit before tax includes impairment losses on goodwill of £3,659,000.

	Asset Management £'000	Corporate Finance £'000	Securities £'000	Banking £'000	Group £'000	Total £'000
2006						
Operating income	140,004	60,819	134,416	198,763	2,272	536,274
Profit before tax	38,248	16,892	47,968	74,027	(19,821)	157,314
Depreciation, amortisation and impairment of assets	1,977	175	2,376	8,454	1,101	14,083
Total equity	153,523	15,062	78,627	269,409	145,736	662,357
Total assets	944,231	44,408	960,912	2,893,437	(30,095)	4,812,893
Property, plant, equipment and intangible asset expenditure	3,723	345	2,702	17,500	163	24,433
Average number of persons employed	776	161	235	1,276	73	2,521

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

3. Operating profit on ordinary activities before tax

	2007 £'000	2006 £'000
Interest and similar income comprises:		
Interest and similar income arising from debt and other fixed income securities	**68,921**	41,850
Other interest and similar income	**244,076**	240,076
	312,997	281,926
Administrative expenses comprise:		
Staff costs:		
Wages and salaries	**215,350**	195,761
Social security costs	**25,485**	22,172
Share-based awards	**4,120**	3,307
Pension costs	**7,317**	7,503
	252,272	228,743
Other administrative expenses	**124,051**	117,513
	376,323	346,256

Operating lease rentals payable, of which £1,141,000 (2006: £1,666,000) relate to plant and machinery, amounted to £7,952,000 (2006: £7,381,000). Aggregate rentals received in respect of finance leases and hire purchase contracts amounted to £543,319,000 (2006: £560,289,000). Aggregate rentals received in respect of operating leases amounted to £6,061,000 (2006: £5,615,000).

The Notes

4. Information regarding directors

	2007 £'000	2006 £'000
Directors' emoluments:		
Salaries	**2,015**	1,982
Fees	**65**	140
Benefits and allowances	**351**	93
Performance related awards in respect of the current year:		
Current	**5,307**	4,408
Deferred	**1,265**	1,992
	9,003	8,615
Share-based awards	**1,916**	1,456
Gains upon exercise of options	**1,112**	1,332
Company pension contributions	**249**	535
	12,280	11,938

The remuneration of individual directors is shown in the report of the board on directors' remuneration on pages 28 to 35.

5. Information regarding auditors

	2007		2006	
	Deloitte & Touche LLP £'000	**Ernst & Young LLP £'000**	Deloitte & Touche LLP £'000	Ernst & Young LLP £'000
Fees payable for:				
Audit of the company's annual accounts	**215**	**–**	222	–
Audit of the company's subsidiaries pursuant to legislation	**706**	**703**	664	713
Other services pursuant to legislation	**241**	**157**	207	143
Tax services	**303**	**288**	271	244
Information technology services	**20**	**–**	15	–
Other services	**120**	**141**	145	69
	1,605	**1,289**	1,524	1,169

6. Tax expense

	2007 £'000	2006 £'000
Tax expense comprises:		
UK corporation tax	**63,640**	38,090
Overseas tax	**4,330**	7,353
Current year tax charge	**67,970**	45,443
Deferred tax (note 19)	**(6,188)**	211
Prior year corporation tax over-provision	**(8,265)**	(374)
	53,517	45,280
Reconciliation to tax expense:		
Tax at 30% (2006: 30%) on:		
Operating profit of £190,192,000 (2006: £157,314,000)	**57,058**	47,194
Goodwill impairment losses disallowed	**1,098**	–
Disallowable items and other permanent differences	**(4,639)**	(1,914)
	53,517	45,280

7. Earnings per share

Basic earnings per share on profit attributable to shareholders of the company is based on profit after tax and minority interests of £132,944,000 (2006: £108,598,000) and on 147,057,000 (2006: 146,594,000) ordinary shares, being the weighted average number of shares in issue and contingently issuable during the year excluding those held by the employee benefit trust.

Diluted earnings per share is based on this same profit, but on 147,983,000 (2006: 147,100,000) ordinary shares, being the weighted average number of shares in issue disclosed above, plus the weighted dilutive potential on ordinary shares of exercisable employee share options in issue during the year.

8. Loans and advances to customers

	2007 £'000	2006 £'000
Loans and advances comprise:		
Hire purchase agreement receivables	**735,079**	738,284
Finance lease receivables	**250,464**	266,568
Other loans and advances	**976,900**	857,171
	1,962,443	1,862,023

Reconciliation between gross investment in finance leases to present value of minimum lease payments:

	2007 £'000	2006 £'000
Gross investment in finance leases due:		
Within one year	**498,811**	476,761
Between one and five years	**699,448**	707,385
After more than five years	**8,006**	9,626
	1,206,265	1,193,772
Unearned finance income	**(167,244)**	(163,633)
Present value of minimum lease payments	**1,039,021**	1,030,139
Of which due:		
Within one year	**420,490**	401,463
Between one and five years	**610,997**	619,519
After more than five years	**7,534**	9,157

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £1,827 million (2006: £1,841 million).

	2007 £'000	2006 £'000
Loans and advances are repayable:		
On demand or at short notice	**90,982**	96,778
Within three months	**587,943**	516,918
Between three months and one year	**591,735**	570,246
Between one and two years	**341,121**	345,092
Between two and five years	**376,064**	367,574
After more than five years	**18,966**	11,919
Impairment provisions	**(44,368)**	(46,504)
	1,962,443	1,862,023

Impairment provisions on loans and advances:

	2007 £'000	2006 £'000
Opening balance	**46,504**	47,840
Charge for the year	**21,541**	18,621
Amounts written off net of recoveries	**(23,677)**	(19,957)
Closing balance	**44,368**	46,504

The amount of interest income accrued on impaired loans and advances was £5,359,000 (2006: £5,986,000).

The Notes

9. Loans and advances to banks

	2007 £'000	2006 £'000
Repayable:		
On demand	**419,937**	347,432
Within three months	**157,871**	162,772
Between three months and one year	**120**	487
	577,928	510,691

Loans and advances to banks are classified as loans and receivables under IAS 39.

10. Trading financial instruments, all held at fair value through profit or loss

The group's trading activities relate to Winterflood Securities Limited and Close Brothers Seydler AG. The following table shows the group's trading book exposure to market price risk for the year ended 31st July, 2007:

	Highest exposure £'000	Lowest exposure £'000	Average exposure £'000	**Exposure at 31st July £'000**
Equities:				
Long	82,239	40,740	54,738	**56,445**
Short	70,273	14,138	23,327	**20,148**
			31,411	**36,297**
Debt securities:				
Long	93,656	40,258	60,476	**60,227**
Short	102,184	41,414	49,507	**46,807**
			10,969	**13,420**

Debt securities Long and Short due to mature within one year were £5,125,000 and £556,000 respectively.

The following table shows the group's trading book exposure to market price risk for the year ended 31st July, 2006:

	Highest exposure £'000	Lowest exposure £'000	Average exposure £'000	Exposure at 31st July £'000
Equities:				
Long	64,636	41,245	50,200	49,623
Short	45,119	10,242	22,767	21,684
			27,433	27,939
Debt securities:				
Long	89,422	40,511	60,099	67,066
Short	87,682	38,231	54,510	54,554
			5,589	12,512

The average exposure has been calculated on a daily basis. The highest and lowest exposures occurred on different dates and therefore a net position of these exposures does not reflect a spread of the trading book. The basis on which the trading book is valued each day is given in the accounting policies in note 1(i).

Based upon the trading book exposure given above, a hypothetical fall of 10% in market prices would result in a £3,630,000 (2006: £2,794,000) decrease in the group's income and net assets on the equity trading book and a £1,342,000 (2006: £1,251,000) decrease in the debt securities trading book. However, the group's trading activity is mainly a jobbing business where positions are managed throughout the day on a continuous basis. Accordingly the result shown above is purely hypothetical.

11. Derivative contracts

	Notional £'000	Assets £'000	Liabilities £'000
Exchange rate contracts			
Foreign exchange forwards	127,276	148	222
Cross currency basis rate swaps	353,773	–	14,226
Interest rate contracts			
Interest rate swaps	1,770,341	7,577	5,597
Forward rate agreements	2,000	13	–
	2,253,390	**7,738**	**20,045**

Nominal amounts of interest rate contracts totalling £260,433,000 (2006: £238,301,000) and exchange rate contracts totalling £16,846,000 (2006: £358,852,000) have a residual maturity of more than one year. Credit risk weighted amounts, which have been prepared in accordance with guidelines issued by the Financial Services Authority, are £5,439,000 (2006: £2,962,000) for interest rate contracts and £5,326,000 (2006: £18,798,000) for exchange rate contracts. The group enters into derivative contracts with a number of financial institutions as a principal only to minimise the impact of interest and currency rate changes to its financial instruments. Included in the above are the following IAS 39 cash flow hedges, with the remainder being IAS 39 fair value hedges:

	Notional £'000	Assets £'000	Liabilities £'000
Exchange rate contracts			
Cross currency basis rate swaps	353,773	–	50
Interest rate contracts			
Interest rate swaps	1,645,556	6,334	5,378
Forward rate agreements	2,000	13	–
	2,001,329	**6,347**	**5,428**

The group's fair value hedges hedge the interest rate and foreign exchange risks in recognised financial instruments. The cash flow hedges relate to exposure to future interest payments or receipts on recognised financial instruments and on forecast transactions for periods of up to eight years.

12. Other non-trading financial instruments

	2007 £'000	2006 £'000
Equity shares held at fair value through profit or loss		
– Listed	**4,606**	3,268
– Unlisted	**11,942**	26,922
	16,548	30,190
Financial instruments classified as available for sale		
Floating rate notes	**746,353**	299,296
Equity shares		
– Listed	**28,556**	13,171
– Unlisted	**335**	321
	775,244	312,788

	2007		2006	
	Book value £'000	**Fair value £'000**	Book value £'000	Fair value £'000
Certificates of deposit classified as loans and receivables	**823,606**	**823,411**	833,655	833,763
Floating rate notes held to maturity	**27,918**	**27,924**	23,817	23,841

In respect of all floating rate notes, both classified as available for sale and held to maturity, £9,708,000 (2006: £8,030,000) were due to mature within one year and £29,614,000 (2006: £25,300,000) have been issued by corporates, with the remainder issued by banks and building societies.

The Notes

12. Other non-trading financial instruments continued

Movements on the above floating rate notes and equity shares during the year comprise:

	Floating rate notes £'000	Equity shares £'000
At 1st August, 2006	323,113	43,682
Additions	1,614,789	16,067
Maturities	(6,747)	–
Disposals	(1,137,002)	(22,161)
Exchange differences	(19,126)	–
Increase/(decrease) in carrying value of:		
Available for sale assets	(756)	7,375
Listed assets designated at fair value through profit or loss	–	126
Unlisted assets designated at fair value through profit or loss	–	350
At 31st July, 2007	**774,271**	**45,439**

The directors deem that the fair value of the group's other non-trading financial instruments materially equate to their book value.

13. Property, plant and equipment and intangible assets – other

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total property, plant and equipment £'000	Intangible assets – other £'000
Group					
Cost					
At 31st July, 2006	10,884	72,394	3,284	86,562	12,143
Operating lease additions	–	5,685	–	5,685	–
Other additions	288	8,228	1,107	9,623	1,849
Acquisition of subsidiary	–	–	–	–	4,528
Operating lease disposals	–	(6,592)	–	(6,592)	–
Other disposals	(1,500)	(4,176)	(1,407)	(7,083)	(60)
At 31st July, 2007	**9,672**	**75,539**	**2,984**	**88,195**	**18,460**
Depreciation and amortisation					
At 31st July, 2006	4,841	37,683	1,489	44,013	9,520
Charge for the year	560	12,207	744	13,511	1,572
Acquisition of subsidiary	–	–	–	–	106
Disposals	(860)	(4,950)	(941)	(6,751)	(17)
At 31st July, 2007	**4,541**	**44,940**	**1,292**	**50,773**	**11,181**
Net book value at 31st July, 2007	**5,131**	**30,599**	**1,692**	**37,422**	**7,279**
Net book value at 31st July, 2006	6,043	34,711	1,795	42,549	2,623

Included within fixtures, fittings and equipment are assets let under operating leases to customers with a cost of £27,158,000 (2006: £28,065,000). The accumulated depreciation thereon is £8,907,000 (2006: £6,061,000).

	2007 £'000	2006 £'000
Future minimum lease payments under non-cancellable operating leases due:		
Within one year	**6,888**	4,136
Between one and five years	**14,252**	8,396
After more than five years	**11**	–
	21,151	12,532

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total property, plant and equipment £'000
Company				
Cost				
At 31st July, 2006	4,027	2,037	182	6,246
Additions	14	73	35	122
Intercompany transfer	–	1,515	–	1,515
Disposals	–	(49)	(29)	(78)
At 31st July, 2007	**4,041**	**3,576**	**188**	**7,805**
Depreciation				
At 31st July, 2006	2,248	1,583	84	3,915
Intercompany transfer	–	903	–	903
Charge for the year	257	680	47	984
Disposals	–	(48)	(25)	(73)
At 31st July, 2007	**2,505**	**3,118**	**106**	**5,729**
Net book value at 31st July, 2007	**1,536**	**458**	**82**	**2,076**
Net book value at 31st July, 2006	1,779	454	98	2,331

The net book value of land and buildings comprises:

	Group		Company	
	2007 £'000	2006 £'000	**2007 £'000**	2006 £'000
Freehold	**973**	1,558	**–**	–
Long leasehold	**1,830**	1,943	**–**	–
Short leasehold	**2,328**	2,542	**1,536**	1,779
	5,131	6,043	**1,536**	1,779

14. Deposits by customers

	2007 £'000	2006 £'000
Repayable:		
On demand or at short notice	**649,622**	631,279
Within three months	**1,374,154**	998,634
Between three months and one year	**255,879**	181,584
Between one and two years	**11,720**	30,077
Between two and five years	**11,313**	1,500
	2,302,688	1,843,074

15. Deposits by banks

	2007 £'000	2006 £'000
Repayable:		
On demand or at short notice	**35,816**	11,466
Within three months	**38,835**	44,242
Between three months and one year	**85,916**	108,670
Between one and two years	**–**	4,000
	160,567	168,378

The Notes

16. Loans and overdrafts from banks

	2007 £'000	2006 £'000
Repayable:		
On demand or at short notice	**14,841**	4,157
Within three months	**20,588**	588
Between three months and one year	**104,327**	127,148
Between one and two years	**162,353**	101,606
Between two and five years	**155,730**	129,706
	457,839	363,205

17. Promissory notes and other debt securities in issue

	2007 £'000	2006 £'000
Repayable:		
Between three months and one year	**336,152**	–
Between one and two years	**–**	340,934
Between two and five years	**–**	–
After more than five years	**16,865**	17,080
	353,017	358,014

£336,152,000 (2006: £340,934,000) mature on 10th December, 2007 and £16,865,000 (2006: £17,080,000) on 20th April, 2015.

18. Other receivables and other liabilities

	2007 £'000	2006 £'000
Other receivables		
Amounts due from investment funds	**–**	34,278
Trade debtors	**29,899**	23,702
Other	**27,991**	30,494
	57,890	88,474
Other liabilities		
Creditors	**102,783**	132,178
Amounts due to investment funds	**3,221**	36,779
Provisions	**34,710**	25,885
Other	**51,638**	24,831
	192,352	219,673

Provisions movement in the year:

	Claims £'000	Property £'000	Other £'000	Total £'000
At 1st August, 2006	10,425	6,192	9,268	25,885
Utilisation	(145)	(1,682)	(457)	(2,284)
Charge/(release)	6,930	(590)	4,769	11,109
At 31st July, 2007	**17,210**	**3,920**	**13,580**	**34,710**

Property provisions arise in respect of leaseholds where rents payable exceed the value to the group. Claims and other items for which provisions are made arise in the normal course of business. The timing and outcome of these claims and other items are uncertain.

19. Deferred tax assets

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Group				
Capital allowances	**10,617**	13,731	**(334)**	(527)
Short term and other timing differences	**20,422**	16,282	**4,711**	4,079
Unrealised capital gains	**(3,266)**	(4,651)	**–**	–
	27,773	25,362	**4,377**	3,552

Short term and other timing differences includes £13,100,000 (2006: £11,300,000) in respect of deferred performance related awards.

Movement in the year:

	Group £'000	Company £'000
At 1st August, 2006	25,362	3,552
Credit to income statement for the year	6,188	825
Equity movements	(3,777)	–
At 31st July, 2007	**27,773**	**4,377**

20. Subordinated loan capital

Final maturity date	Prepayment date	Initial interest rate	2007 £'000	2006 £'000
2020	2015	7.39%	**30,000**	30,000
2026	2021	7.42%	**15,000**	15,000
2026	2021	7.62%	**30,000**	30,000
			75,000	75,000

All the subordinated loan capital has been issued by Close Brothers Limited ("CBL") and is denominated in sterling. If CBL opts not to prepay at the prepayment date, the interest rate is reset to a margin over the yield on five year UK Treasury securities.

21. Share capital

	2007 Number '000	2007 £'000	2006 Number '000	2006 £'000
Authorised				
Ordinary shares of 25p each	**200,000**	**50,000**	200,000	50,000
Allotted, issued and fully paid				
At 1st August, 2006	**146,413**	**36,603**	144,673	36,168
Exercise of options	**919**	**230**	1,740	435
At 31st July, 2007	**147,332**	**36,833**	146,413	36,603

There are no restrictions on the transfer or voting rights of the ordinary shares of the company.

The Notes

21. Share capital continued

Share-based awards

The following share-based awards have been granted under the SAYE Scheme, 1995 Executive Share Option Scheme and 2004 LTIP to 764 (2006: 790) employees:

Year of grant	Exercise period	Market price upon exercise[1]	Exercise price per share	Number of options: At 1st August, 2006	Granted	Exercised	Forfeited	Lapsed	At 31st July, 2007
1997	30th Oct 2000 to 29th Oct 2007	980.9p	482.5p	168,000	–	138,500	–	–	**29,500**[2]
1997	30th Oct 2002 to 29th Oct 2007	–	482.5p	499,750	–	–	10,000	–	**489,750**
1998	7th Oct 2001 to 6th Oct 2008	902.0p	417.5p	231,700	–	72,292	–	–	**159,408**[2]
1998	7th Oct 2003 to 6th Oct 2008	–	417.5p	612,283	–	–	20,000	1,408	**590,875**
1998	9th Nov 2003 to 8th Nov 2008	–	552.5p	6,000	–	–	–	–	**6,000**
1999	3rd Nov 2002 to 2nd Nov 2009	1027.9p	779.5p	407,750	–	65,000	8,750	–	**334,000**[2]
1999	3rd Nov 2004 to 2nd Nov 2009	–	779.5p	579,750	–	–	16,250	5,000	**558,500**
2000	23rd Oct 2003 to 22nd Oct 2010	–	1125.0p	437,590	–	–	18,250	5,550	**413,790**[2]
2000	23rd Oct 2005 to 22nd Oct 2010	–	1125.0p	437,590	–	–	18,250	9,100	**410,240**
2001	26th Sep 2004 to 25th Sep 2011	944.7p	560.0p	295,444	–	87,300	7,500	–	**200,644**[2]
2001	26th Sep 2006 to 25th Sep 2011	–	560.0p	560,000	–	–	31,750	15,500	**512,750**
2001	1st Dec 2006 to 31st May 2007	982.6p	438.0p	182,287	–	182,287	–	–	**–**
2002	8th Oct 2005 to 7th Oct 2012	932.0p	450.0p	336,790	–	89,678	6,250	–	**240,862**[2]
2002	8th Oct 2007 to 7th Oct 2012	–	450.0p	598,250	–	–	25,500	13,000	**559,750**
2002	1st Dec 2007 to 31st May 2008	970.9p	391.0p	305,256	–	12,699	420	2,757	**289,380**
2003	7th Oct 2006 to 6th Oct 2013	1022.8p	732.5p	662,250	–	178,375	5,000	2,500	**476,375**[2]
2003	7th Oct 2008 to 6th Oct 2013	–	732.5p	659,750	–	–	17,500	10,000	**632,250**
2003	1st Dec 2006 to 31st May 2007	983.0p	586.0p	73,751	–	73,751	–	–	**–**
2003	1st Dec 2008 to 31st May 2009	990.1p	586.0p	32,164	–	3,283	2,399	1,454	**25,028**
2004	7th Oct 2007 to 6th Oct 2014	982.0p	675.0p	364,750	–	1,250	10,000	7,500	**346,000**
2004	7th Oct 2009 to 6th Oct 2014	982.0p	675.0p	364,750	–	1,250	15,000	7,500	**341,000**
2004	29th Nov 2007 to 28th Nov 2014	–	713.0p	10,000	–	–	–	–	**10,000**
2004	29th Nov 2009 to 28th Nov 2014	–	713.0p	10,000	–	–	–	–	**10,000**
2004	1st Dec 2007 to 31st May 2008	994.2p	540.0p	189,478	–	11,718	10,054	4,452	**163,254**
2004	1st Dec 2009 to 31st May 2010	–	540.0p	103,814	–	–	6,548	–	**97,266**
2004	28th Oct 2007 to 27th Oct 2008	–	0.0p	505,015	–	–	–	–	**505,015**
2005	1st Dec 2008 to 31st May 2009	1009.0p	661.0p	216,242	–	1,423	29,616	3,719	**181,484**
2005	1st Dec 2010 to 31st May 2011	902.0p	661.0p	65,444	–	136	6,866	838	**57,604**
2005	3rd Oct 2008 to 2nd Oct 2009	–	0.0p	514,504	–	–	–	–	**514,504**
2006	1st Dec 2009 to 31st May 2010	–	807.0p	–	134,974	–	9,923	–	**125,051**
2006	1st Dec 2011 to 31st May 2012	889.6p	807.0p	–	73,204	94	729	838	**71,543**
2006	2nd Oct 2009 to 1st Oct 2010	–	0.0p	–	482,325	–	–	–	**482,325**
				9,430,352	690,503	919,036	276,555	91,116	**8,834,148**

The general terms and conditions for the three schemes, which are all share settled, are summarised on page 29.

[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 31st July, 2007.

Share-based awards

For the share-based awards granted during the year, the weighted average fair value of those options at 31st July, 2007 was 612p (2006: 488p). 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 31st July, 2007 for share-based awards is £5,655,000 (2006: £5,779,000).

22. Profit and loss account

	Company £'000
At 1st August, 2006	125,623
Retained profit for the year	29,969
Transfer from the share-based awards reserve	1,704
ESOP trust profit	195
At 31st July, 2007	**157,491**

23. Contingent liabilities and commitments

Contingent liabilities
There are group contingent liabilities in respect of guarantees arising in the normal course of business amounting to £10,098,000 (2006: £9,670,000).

The company has given guarantees in respect of amounts drawn under subsidiaries' bank facilities amounting to £103,734,000 (2006: £238,779,000). In addition, the company has given guarantees in respect of the subordinated loan capital set out in note 20.

	2007 £'000	2006 £'000
Commitments: memorandum items		
Undrawn facilities, credit lines and other commitments to lend:		
Within one year	**356,763**	299,106
After more than one year	**2,450**	2,868
	359,213	301,974

Other commitments
The group is committed to purchase minority interests in certain subsidiaries at agreed fair valuations. While not material, these minority interests were recognised, where appropriate, in the fair values attributed to the acquisition of the subsidiaries.

Subsidiaries had contracted capital commitments relating to capital expenditure of £288,000 (2006: £190,000) and contracted commitments to invest in private equity funds managed by the group of £14,581,000 (2006: £13,918,000).

Future minimum lease payments under non-cancellable operating leases:

	2007		2006	
	Premises £'000	Other £'000	Premises £'000	Other £'000
Expiring:				
Within one year	**10,507**	**1,096**	9,470	861
Within two to five years	**38,369**	**1,505**	36,901	602
After more than five years	**34,645**	**80**	43,700	85
	83,521	**2,681**	90,071	1,548

The Notes

24. Interest rate exposure

The group's interest rate exposure is summarised below in the form of an interest rate repricing table. The table reflects the repricing profile of the group's non trading assets, liabilities and net interest rate hedge contracts as at the year end. The trading book exposures of Winterflood Securities Limited and Close Brothers Seydler AG are different in nature and so are excluded here. This table shows the sensitivity of non trading net assets to interest rate movements and demonstrates the group's policy of broadly matching interest rate exposure. The cumulative gap of interest bearing net assets of £570,780,000 (2006: £564,379,000) broadly equates to the group's non trading share capital and reserves, which as a matter of policy are not hedged.

At 31st July, 2007	Within three months £'000	Between three and six months £'000	Between six months and one year £'000	Between one and five years £'000	After more than five years £'000	Non-interest bearing £'000	**Total £'000**	Effective interest rates
Non trading assets								
Cash and balances at central banks	–	–	–	–	–	1,631	1,631	–
Loans and advances to banks	577,093	120	–	–	–	715	577,928	5.2%
Loans and advances to customers	865,564	228,569	218,409	632,178	17,723	–	1,962,443	11.5%
Debt securities and equity shares	1,429,498	82,461	78,708	1,382	5,828	46,810	1,644,687	5.7%
Settlement accounts	–	–	–	–	–	624,935	624,935	–
Other assets	127,834	–	–	–	1,752	317,057	446,643	5.9%
	2,999,989	311,150	297,117	633,560	25,303	991,148	5,258,267	
Non trading liabilities								
Deposits by banks	135,067	23,500	2,000	–	–	–	160,567	5.3%
Deposits by customers	2,021,676	111,205	148,274	21,533	–	–	2,302,688	4.8%
Non-recourse borrowings	91,000	59,000	–	–	–	–	150,000	6.2%
Loans and overdrafts from banks	454,277	–	3,562	–	–	–	457,839	6.0%
Promissory notes and other debt securities in issue	353,017	–	–	–	–	–	353,017	4.5%
Settlement accounts	–	–	–	–	–	484,465	484,465	–
Subordinated loan capital	–	–	–	–	75,000	–	75,000	7.5%
Other liabilities	188,334	8,894	–	–	–	374,526	571,754	5.7%
Equity	–	–	–	–	–	752,654	752,654	–
	3,243,371	202,599	153,836	21,533	75,000	1,611,645	5,307,984	
Non trading net (liabilities)/assets	(243,382)	108,551	143,281	612,027	(49,697)	(620,497)	(49,717)	
Net interest rate hedges								
Floating rate	307,656	36,000	6,500	1,000	–		351,156	
Fixed rate	19,621	(89,874)	(159,836)	(121,067)	–		(351,156)	
	327,277	(53,874)	(153,336)	(120,067)	–		–	
Interest rate sensitivity gap	83,895	54,677	(10,055)	491,960	(49,697)			
Cumulative gap	83,895	138,572	128,517	620,477	570,780			

At 31st July, 2006	Within three months £'000	Between three and six months £'000	Between six months and one year £'000	Between one and five years £'000	After more than five years £'000	Non-interest bearing £'000	Total £'000	Effective interest rates
Non trading assets								
Cash and balances at central banks	–	–	–	–	–	1,272	1,272	–
Loans and advances to banks	509,806	126	361	–	–	398	510,691	4.2%
Loans and advances to customers	618,038	335,857	246,068	651,491	10,569	–	1,862,023	11.0%
Debt securities and equity shares	994,645	79,058	76,865	–	6,200	45,601	1,202,369	4.9%
Settlement accounts	–	–	–	–	–	628,305	628,305	–
Other assets	160,856	–	–	–	4,067	326,621	491,544	4.6%
	2,283,345	415,041	323,294	651,491	20,836	1,002,197	4,696,204	
Non trading liabilities								
Deposits by banks	122,444	41,934	–	4,000	–	–	168,378	4.4%
Deposits by customers	1,641,050	79,390	95,057	27,577	–	–	1,843,074	4.2%
Non-recourse borrowings	117,000	33,000	–	–	–	–	150,000	4.9%
Loans and overdrafts from banks	363,165	–	–	–	–	40	363,205	4.8%
Promissory notes and other debt securities in issue	358,014	–	–	–	–	–	358,014	3.3%
Settlement accounts	–	–	–	–	–	573,671	573,671	–
Subordinated loan capital	–	–	–	–	75,000	–	75,000	7.5%
Other liabilities	161,247	10,750	–	–	–	370,959	542,956	4.3%
Equity	–	–	–	–	–	662,357	662,357	–
	2,762,920	165,074	95,057	31,577	75,000	1,607,027	4,736,655	
Non trading net (liabilities)/assets	(479,575)	249,967	228,237	619,914	(54,164)	(604,830)	(40,451)	
Net interest rate hedges								
Floating rate	418,971	41,000	22,000	42,000	–		523,971	
Fixed rate	(35,354)	(92,116)	(225,500)	(171,001)	–		(523,971)	
	383,617	(51,116)	(203,500)	(129,001)	–		–	
Interest rate sensitivity gap	(95,958)	198,851	24,737	490,913	(54,164)			
Cumulative gap	(95,958)	102,893	127,630	618,543	564,379			

25. Assets and liabilities in foreign currencies

The aggregate amounts of monetary assets and liabilities denominated in foreign currencies, mainly US dollars, were as follows:

	2007 £'000	2006 £'000
Assets	**645,592**	502,616
Liabilities	**629,015**	481,368

The group's exposure to foreign exchange risk is considered by the directors to be minimal.

The Notes

26. Investments in subsidiaries

The group's principal subsidiaries at 31st July, 2007 were:

Name of subsidiary	Principal activity	Equity held by group %	Country of registration and operation
Armed Services Finance Limited	Motor financing	80	England
Close Asset Finance Limited	Commercial asset financing	100	England
Close Asset Management (Cayman) Limited	Investment management	85	Cayman
Close Asset Management Holdings Limited[1]	Asset management holding company	100	England
Close Bank (Cayman) Limited	Private banking	100	Cayman
Close Bank Guernsey Limited	Private banking	100	Guernsey
Close Bank (Isle of Man) Limited	Private banking	100	Isle of Man
Close Brothers S.A.	Corporate finance advisory services	83	France
Close Brothers GmbH	Corporate finance advisory services	50	Germany
Close Brothers (Cayman) Limited	Trust, fund and company administration	85	Cayman
Close Brothers Corporate Finance Limited[1]	Corporate finance advisory services	100	England
Close Brothers Finance plc	Finance company	100	England
Close Brothers Growth Capital Limited	Integrated debt and equity investment	88[2]	England
Close Brothers Limited[1]	Treasury, property financing and insurance premium financing	100	England
Close Brothers Private Equity LLP	Private equity fund management	–[3]	England
Close Brothers Seydler AG	Securities trading	89	Germany
Close Business Finance Limited	Specialist asset financing	100	England
Close Credit Management Limited	Credit management and debt collection	99	England
Close Finance (CI) Limited	Commercial and consumer asset financing	91	Jersey
Close Finance GmbH	Non-recourse debt factoring	93	Germany
Close Fund Management Limited	Specialist investment and unit trust management	100	England
Close Fund Services Limited	Fund administration	100	Guernsey
Close International Asset Management Limited	Investment management	100	Jersey
Close International Custody Services Limited	Custodial services	100	Guernsey
Close Investments Limited	Retail investment products and fund management	100	England
Close Invoice Finance Limited	Debt factoring and invoice discounting	100	England
Close Motor Finance Limited	Motor financing	100	England
Close Portfolio Management Limited	Investment company	100	England
Close Private Asset Management Limited	Private client discretionary fund management	100	England
Close Trust Company Jersey Limited	Trust and company administration	100	Jersey
Close Trustees Guernsey Limited	Trust and company administration	100	Guernsey
Close Trustees (Cayman) Limited	Trust and company administration	85	Cayman
Close Trustees (Isle of Man) Limited	Trust and company administration	100	Isle of Man
Close Ventures Limited	Venture capital fund management	100	England
Close Wealth Management Limited	Private client discretionary fund management	100	England
Commercial Finance Credit Limited	Commercial asset financing	100	England
Fortune Asset Management Limited	Institutional multi hedge fund management	70	England
Kingston Asset Finance Limited	Commercial asset financing	100	England
Mortgage Intelligence Limited	Mortgage broking	95	England
OLIM Limited	Institutional fund management	100	England
Surrey Asset Finance Limited	Commercial asset financing	100	England
Winterflood Securities Limited[1]	Market-making	100	England

[1] Direct subsidiaries of the company.
[2] In respect of Close Brothers Growth Capital Limited the group holds 3% of its share capital and has a 94% holding in Close Holdings Limited which itself holds a further 90%.
[3] Close Brothers Private Equity LLP is a limited partnership registered under the Limited Liability Partnerships Act 2000.

During the year, the group purchased three companies and a business. The total of these acquisitions was not material in terms of impact to either the group's net assets or results.

27. Intangible assets – goodwill

	Net book value £'000
At 1st August, 2006 including £156,243,000 of original capitalised cost	109,807
Goodwill arising from acquisition of subsidiaries	3,523
Goodwill arising from purchases of minority interests and other movements	3,510
Impairment losses on goodwill	(3,659)
At 31st July, 2007	**113,181**

Cumulative goodwill arising from acquisitions before 1st August, 1998, of £81,923,000 (2006: £81,923,000) was, and remains, written off directly to reserves. The relevant constituent of this goodwill would be charged or credited to the profit and loss account should the related acquisition be sold.

All balance sheet goodwill is allocated to individual cash generating units ("CGUs"), which are all at a lower level than our four operating divisions. There are no CGUs in which the goodwill carrying amount is significant in comparison with total goodwill. All goodwill impairment reviews, which are carried out at least annually at operating division level and then reviewed centrally, were based on CGU cash flows using the most recent budgets, three year plan and forecast and took account of past experience. Generally, differing key assumptions on impacting factors and uncertainties are applied to each CGU but where the recoverable amounts of two or more CGUs are based on the same key assumptions, their related aggregate goodwill carrying amount is not significant in comparison with total goodwill. Projections were no more than seven years ahead with projected rates falling significantly in later years due to their uncertainty. Management does not believe that a change in assumptions would cause the aggregate goodwill carrying amounts to exceed their aggregate recoverable amounts, without the change being accompanied by a significant loss event.

28. Investments in associates and joint ventures

The group has six (2006: six) associates. They have been accounted for using the net equity method. The group's share of the associates' net assets was £912,000 (2006: £423,000). The group's share of their operating profit and tax on profit was £868,000 (2006: £261,000) and £304,000 (2006: £90,000) respectively. The associates owe £1,172,000 (2006: £nil) to the group.

The group has investments in two (2006: three) joint ventures totalling £1,000 (2006: £5,000). They have been accounted for using the gross equity method. The group's share of the joint venture's net liabilities of £121,000 (2006: net assets of £925,000) is included within "Other receivables" and its share of their gross assets is £294,000 (2006: £21,743,000). The group's share of their operating income and operating loss was £nil (2006: £497,000) and £178,000 (2006: operating profit of £215,000) respectively and the group received dividends of £150,000 (2006: £nil) from them. The joint ventures owe £204,000 (2006: £4,135,000) to the group.

The effect of these investments on the group's results has not been separately disclosed in the profit and loss account and balance sheet because of their immateriality.

The Notes

29. Debtors

	2007 £'000	2006 £'000
Company		
Amounts falling due within one year:		
Amounts owed by subsidiaries	**191,031**	151,884
Corporation tax receivable	**1,994**	2,725
Deferred tax asset (note 19)	**4,377**	3,552
Other debtors	**1,737**	835
	199,139	158,996

30. Creditors

	2007 £'000	2006 £'000
Company		
Amounts falling due within one year:		
Amounts owed to subsidiaries	**10,290**	7,050
Accruals and deferred income	**10,502**	7,928
Provisions	**7,153**	7,210
Other creditors	**10,157**	10,667
	38,102	32,855

Provisions movement in the year:

	Property £'000	Other £'000	Total £'000
At 1st August, 2006	3,695	3,515	7,210
Utilisation	(610)	(212)	(822)
Charge	–	765	765
At 31st July, 2007	**3,085**	**4,068**	**7,153**

	2007 £'000	2006 £'000
Amounts falling due after more than one year:		
Interest free loan from subsidiary with no fixed repayment date	**27,072**	27,072

31. Related party transactions

Transactions with key management

For the purposes of Related Party Disclosures (IAS 24) key management comprises the management board shown on page 8. Key management have banking relationships with group entities which are entered into in the normal course of business. Amounts included in deposits by customers at 31st July, 2007 attributable, in aggregate, to key management were £3,761,000 (2006: £4,194,000).

32. Pensions

The group operates defined contribution pension schemes and a defined benefits pension scheme for eligible employees. Assets of all schemes are held separately from those of the group. The charge to the income statement for the group pension schemes was £7,317,000 (2006: £7,503,000).

Defined benefits pension scheme

The group's only defined benefits pension scheme ("the scheme") was closed to new entrants in August 1996. At 31st July, 2007 this scheme had 27 (2006: 29) active members, 77 (2006: 76) deferred members and four (2006: three) pensioners. The remainder of this note relates exclusively to the scheme.

Contributions to the scheme have been determined by an independent qualified actuary based on triennial valuations using the attained age method. The most recent such valuation was at 31st July, 2006, when the agreed company contribution rate was 29.5% per annum of pensionable salaries. Future contributions to be made by the participating group companies under actuarial advice should meet all pension obligations.

The valuation was based upon the following annual financial assumptions:

	2007 %	2006 %	2005 %
Inflation	**3.1**	2.8	2.7
Increase in:			
Salaries	**2.0**	2.0	2.0
Pension in payment	**3.1**	2.8	2.7
Discount rate for scheme liabilities	**5.8**	5.5	5.5
Expected return on the scheme's assets:			
Equities	**8.0**	7.8	8.0
Fixed interest gilts	**5.2**	4.6	5.5
Cash	**4.9**	4.2	4.2

The net surplus/(deficit) of the scheme disclosed below has been accounted for as an asset/(liability) of the group:

	2007 £'000	2006 £'000	2005 £'000
Equities	**19,360**	16,908	12,461
Bonds	**3,468**	3,353	2,870
Cash	**1,082**	1,359	3,629
Total market value of scheme assets	**23,910**	21,620	18,960
Present value of scheme liabilities	**(23,320)**	(21,425)	(19,580)
Surplus/(deficit) before tax	**590**	195	(620)
Related deferred tax (liability)/asset	**(165)**	(59)	186
Net surplus/(deficit)	**425**	136	(434)

	2007		2006	
	(Charge)/ credit to the group income statement £'000	Pension scheme surplus £'000	(Charge)/ credit to the group income statement £'000	Pension scheme (deficit)/ surplus £'000
Opening surplus/(deficit) before tax		**195**		(620)
Expected return on scheme assets	**1,541**		1,335	
Expected return on scheme liabilities	**(1,162)**		(1,070)	
Current service cost	**(657)**		(783)	
Charge to the income statement		**(278)**		(518)
Contributions		**880**		945
Net actuarial (loss)/gain		**(207)**		388
Closing surplus before tax		**590**		195

The Notes

33. Consolidated Cash Flow Statement reconciliation

	2007 £'000	2006 £'000
(a) Reconciliation of operating profit on ordinary activities before tax to net cash inflow from operating activities		
Operating profit on ordinary activities before tax	**190,192**	157,314
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**(19,302)**	1,886
Net settlement accounts	**(85,836)**	(11,115)
Net debt securities and equity shares held for trading	**(9,266)**	(8,781)
Increase/(decrease) in interest payable and accrued expenses	**6,733**	(1,877)
Depreciation, amortisation and goodwill impairment losses	**18,742**	14,083
Net cash inflow from trading activities	**101,263**	151,510
(Increase)/decrease in:		
Debt securities held for liquidity	**3,003**	(10,890)
Loans and advances to customers	**(100,420)**	77,180
Loans and advances to banks not repayable on demand	**(3,195)**	5,716
Other assets less other liabilities	**83,375**	83,350
Increase/(decrease) in:		
Deposits by banks	**(7,811)**	60,277
Customer accounts	**459,614**	24,887
Bank loans and overdrafts	**94,634**	(131,158)
Non-recourse borrowings	**–**	(50,000)
Promissory notes and other debt securities in issue	**(4,997)**	(9,116)
Tax paid	**(52,451)**	(48,338)
Net cash inflow from operating activities	**573,015**	153,418
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries		
Cash consideration in respect of current year purchases	**(8,745)**	(6,797)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(6,123)**	(4,847)
Net movement in cash balances	**2,466**	386
	(12,402)	(11,258)
(c) Analysis of changes in financing		
Share capital (including premium) and subordinated loan capital:		
Opening balance	**371,386**	363,378
Shares issued for cash	**5,059**	8,008
Closing balance	**376,445**	371,386

(d) Analysis of cash and cash equivalent balances

	Movement in the period £'000	2007 £'000	2006 £'000
Cash and balances at central banks	359	**1,631**	1,272
Loans and advances to banks	64,042	**572,968**	508,926
Floating rate notes classified as available for sale	454,161	**756,460**	302,299
Certificates of deposit classified as loans and receivables	(10,049)	**823,606**	833,655
	508,513	**2,154,665**	1,646,152

Additional Information

Five Year Financial Summary

		2007	2006	2005	2004	2003
Operating income	£m	**607**	536	447	401	323
Profit before tax	£m	**190**	157	112	101	78
Profit attributable to shareholders	£m	**133**	109	72	65	51
Earnings per share	p	**90.4**	74.1	49.8	45.1	35.7
Ordinary dividends per share	p	**37.0***	32.5	28.5	27.0	26.0
Equity	£m	**753**	662	578	509	482
Total assets	£m	**5,375**	4,813	4,755	3,880	3,569
Number of employees		**2,603**	2,568	2,440	2,252	1,943

* 25.0p special dividend also proposed in 2007.

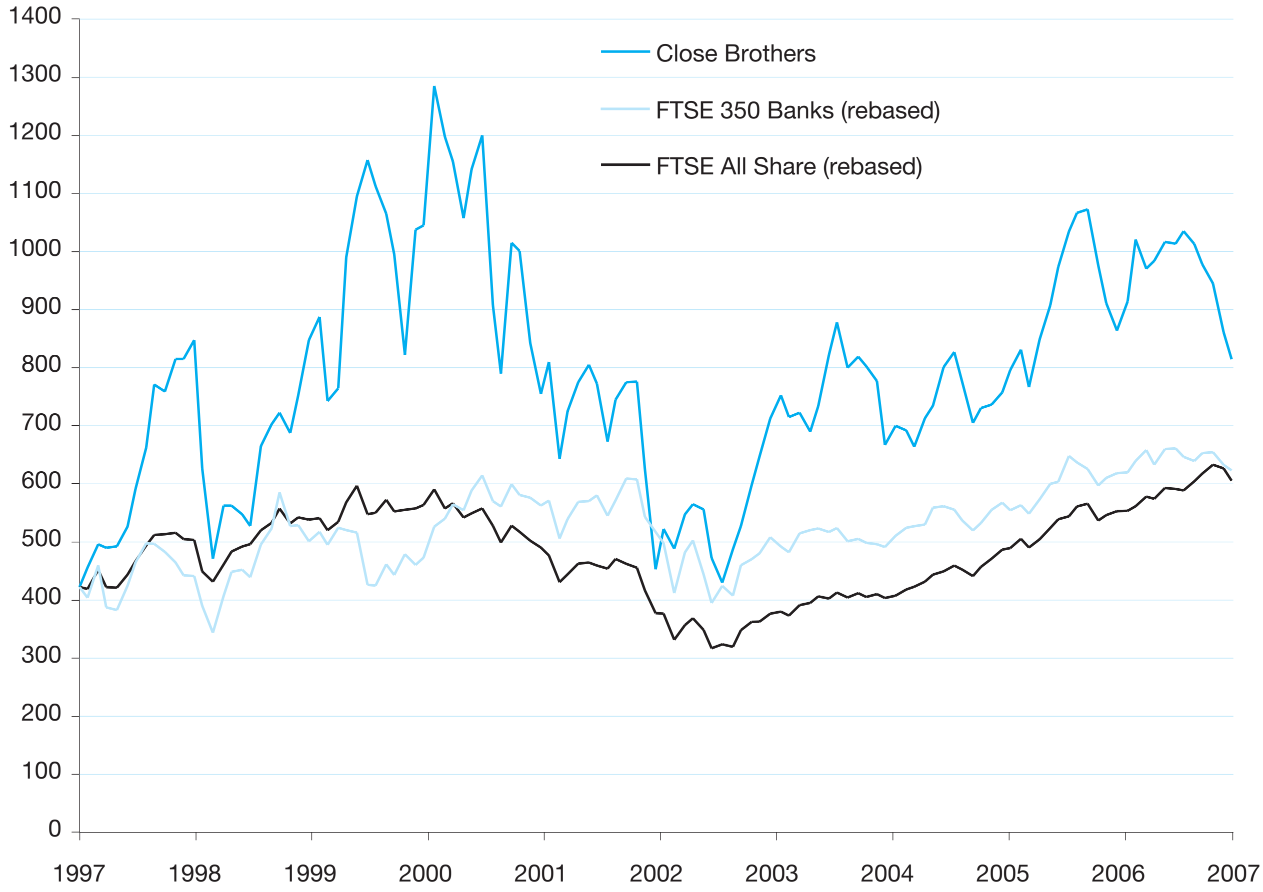
The data for the years 2005 to 2007 has been prepared under IFRS, whilst the data for the years 2003 and 2004 has been prepared under UK GAAP.

Shareholder analysis

	Number of shareholders		Total shares held	
	2007	2006	2007	2006
Number of shares held				
Up to 500	**1,831**	1,670	**533,768**	474,058
501 – 1,000	**1,459**	1,310	**1,136,273**	1,040,615
1,001 – 2,000	**1,012**	997	**1,484,831**	1,490,419
2,001 – 5,000	**628**	639	**2,014,421**	2,051,452
5,001 – 10,000	**211**	236	**1,561,078**	1,691,281
10,001 – 50,000	**264**	280	**6,111,376**	6,459,577
Over 50,000	**260**	253	**134,490,400**	133,205,709
	5,665	5,385	**147,332,147**	146,413,111
Category of shareholders				
Investment groups	**131**	119	**63,962,386**	70,222,261
Insurance companies	**6**	8	**49,466,001**	42,607,830
Private shareholders	**2,819**	2,700	**19,718,709**	20,077,843
Nominee holders	**2,704**	2,552	**12,873,148**	11,576,522
Pension funds	**5**	6	**1,311,903**	1,928,655
	5,665	5,385	**147,332,147**	146,413,111

Additional Information

Share Price
pence



Calendar

Annual General Meeting	1st November, 2007
Payment of final and special dividends	6th November, 2007
Announcement of interim results	Early March 2008
Payment of interim dividend	Mid April 2008
Announcement of final results	September 2008

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Deloitte & Touche LLP.

Ernst & Young LLP (Close Brothers Limited group).

Solicitors
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Stockbrokers
UBS Investment Banking.

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Designed by Emperor Design Consultants
Typeset by BOWNE Printed by St Ives Westerham Press

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