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CLOSE BROTHERS FINANCE PLC

REPORT AND ACCOUNTS

for the year ended 31 July 2007

REGISTERED NUMBER 4322721

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COMPANIES HOUSE

CLOSE BROTHERS FINANCE plc

Directors S R Hodges
 M I Dack
 R D Sellers

Secretary S D Watson

Registered Office 10 Crown Place, London EC2A 4FT

Registered Number 4322721

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

REPORT OF THE DIRECTORS

The company is a wholly owned subsidiary of Close Brothers Limited ("CBL"), which is itself a wholly owned subsidiary of Close Brothers Group plc ("CBG"), the ultimate parent undertaking. The company operates as part of the CBL group which provides a range of banking services.

Business review and principal activities

The company is a finance company. There have not been any significant changes in the company's principal activities during the year. The directors are not aware of any likely major changes in the company's activities in the next year.

As shown in the company's profit and loss account on page 5, income has increased by 42% over the prior year. There was neither a profit nor a loss for the year (2006 – neither a profit nor a loss).

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

Principal risks and uncertainties

The company has third party debt which it has lent to CBL and which is fully guaranteed by CBL. Risks and uncertainties are further disclosed in note 4 to the financial statements.

Group risks are discussed in CBL's Annual Report.

Environment

Because the company has no physical activities, its impact on the environment is negligible.

Employees

The company has no employees.

Directors and their interests

Mr R H Norman resigned as a director on 1 February 2007. All the directors had interests in the capital of Close Brothers Group plc, the ultimate parent undertaking of the company. Mr S R Hodges is a director of Close Brothers Group plc, and accordingly his interests are disclosed within the financial statements of that company.

The interests of the necessary directors were as follows:

Close Brothers Group plc 25p ordinary shares				Option		31 st July, 2007
	1 st August, 2006	31 st July, 2007	1 st August, 2006	Granted during the year	Exercised during the year	
M I Dack	13,506	13,506	144,422	-	-	144,422
R D Sellers	35,513	27,813	84,214	-	-	84,214
LTIP Awards						
	1 st August, 2007	Granted During the year	31 st July, 2007			
M I Dack	9,108	7,524	16,632			
R D Sellers	9,108	7,524	16,632			

Creditors payment policy

It is the company's policy to settle all debts with its suppliers of goods and services on a timely basis, taking account of the credit period given by each supplier. At 31 July 2007 there were no unpaid suppliers of goods and services.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Reappointment of auditors

In accordance with s 385 of the Companies Act 1985, a resolution to re-appoint Ernst & Young LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all steps that they should have taken as directors to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors and signed on behalf of the Board



S D Watson

Secretary

20 September 2007

CLOSE BROTHERS FINANCE plc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLOSE BROTHERS FINANCE plc

We have audited the company's financial statements for the year ended 31 July 2007 which comprise the Profit & Loss Account, Balance Sheet and the related notes 1 to 9. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
20 September 2007

CLOSE BROTHERS FINANCE plc**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2007**

	<u>2007</u>	<u>2006</u>
	£	£
Interest receivable from group undertakings	14,016,741	9,883,229
Interest payable on floating rate notes	<u>(14,016,741)</u>	<u>(9,883,229)</u>
Profit on ordinary activities before and after taxation	<u>-</u>	<u>-</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other recognised gains or losses during the year. Accordingly a statement of total recognised gains and losses is not provided.

CLOSE BROTHERS FINANCE plc

BALANCE SHEET - AS AT 31 JULY 2007

	<u>Note</u>	<u>2007</u> £	<u>2006</u> £
CURRENT ASSETS			
Debtors - amounts falling due within one year	3	338,986,826	1,569,437
Debtors - amounts falling due after more than one year	3	16,846,361	358,670,550
TOTAL ASSETS		355,833,187	360,239,987
CREDITORS - amounts falling due within one year			
Debt securities – floating rate notes	4	336,880,064	-
Accruals		2,094,260	1,556,935
TOTAL ASSETS LESS CURRENT LIABILITIES		16,858,863	358,683,052
CREDITORS - amounts falling due after more than one year			
Debt securities – floating rate notes	4	16,846,361	358,670,550
		12,502	12,502
CAPITAL AND RESERVES			
Called up share capital	5	12,502	12,502
TOTAL EQUITY SHAREHOLDER'S FUNDS	6	12,502	12,502

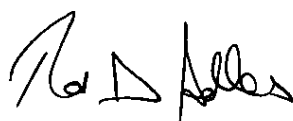
These financial statements were approved by the Board of Directors on 20 September 2007

Signed on behalf of the Board of Directors

S R Hodges



R D Sellers



Directors

CLOSE BROTHERS FINANCE plc

NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 JULY 2007

1 ACCOUNTING POLICIES

Accounting convention

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

Interest recognition

Interest receivable and payable is recognised in the profit and loss account using the effective interest rate method. This method applies a rate that discounts estimated future cash payments or receipts to the net carrying amount of the financial instrument. When calculating the effective interest rate, 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.

Foreign currencies

Foreign currency borrowings and advances are translated into sterling at the rates of exchange ruling at the balance sheet date. Foreign currency income and expenses are translated into sterling at the average rates of exchange over the year and translation differences are taken to the profit and loss account.

Segmental analysis

All income, profits and net assets relate to financing activities located in the United Kingdom. All the activities of the Company are classified as continuing.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Loans and advances

Loans and advances are recognised when cash is advanced to borrowers at cost including any transaction costs. They are then amortised using the effective interest rate calculation described in the interest recognition accounting policy note. Loans and advances are stated net of provisions for impairment losses, if any.

Interest bearing loans and borrowings

Issued financial instruments or their components, which are not designated at fair value through profit and loss, are classified under "interest bearing loans and borrowings", where the substance of the contractual arrangement results in the company having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate.

2 ADMINISTRATIVE EXPENSES

The audit fee and other administrative expenses were borne by Close Brothers Limited which is the immediate parent undertaking. None of the directors who served during the year received any emoluments for services to the company (2006: £nil). The company has no employees (2006: nil).

CLOSE BROTHERS FINANCE plc**NOTES TO THE FINANCIAL STATEMENTS – YEAR ENDED 31 JULY 2007 (continued)****3 DEBTORS**

All debtor balances comprise of amounts due from group undertakings

Debtors falling due within one year comprises accrued interest and loan receivables

Debtors falling due after more than one year comprises loan receivables. The proceeds of the floating rate note issues have been lent to Close Brothers Limited on the same terms as the borrowings as described in note 4

4 FINANCIAL INSTRUMENTS

Floating rate notes of €500,000,000 were issued on 10 December 2004 for a total of €499,415,000, listed on the London Stock Exchange. The notes are euro denominated, issued at a floating rate of 0.20 per cent per annum above EURIBOR for each interest period. They mature on 10 December 2007. The discount is being charged to the profit and loss account over the life of the notes and is included in interest payable.

Floating rate notes of €25,000,000 were issued on 20 April 2005 for €25,000,000, listed on the London Stock Exchange. The notes are euro denominated and are issued at a floating rate of 0.25 per cent per annum above EURIBOR for each interest period. They mature on 20 April 2015.

The book value of the notes at 31 July 2007 was £353,726,000 (2006: £358,671,000). The fair value of the notes at 31 July 2007 was £353,017,000 (2006: £358,014,000). The fair values of the financial assets and liabilities have been obtained from independent, open market sources or using discounted cash flow techniques based upon prevailing market rates. The directors deem that the fair value of the company's other financial assets and liabilities materially equates to book value.

The notes are unconditionally and irrevocably guaranteed by Close Brothers Limited.

As the interest rates of all financial assets and liabilities, except short term debtors and creditors, of the company re-fix within 3 months and all financial assets and liabilities are of the same currency, interest rate risk and exchange rate risk are considered to be minimal. This demonstrates the company's policy of broadly matching its interest rate and exchange rate exposures. The directors are of the opinion that the company is not exposed to market price risk.

5 CALLED UP SHARE CAPITAL

	<u>2007</u> £	<u>2006</u> £
Authorised, issued and allotted 50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Of which		
Fully paid	2	2
Part paid (49,998 shares paid up to 25p each)	<u>12,500</u>	<u>12,500</u>
	<u>12,502</u>	<u>12,502</u>

6 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

There is no movement in shareholders' funds

7 RELATED PARTY TRANSACTIONS

The company has taken advantage of one of the exemptions conferred by Financial Reporting Standard No 8 ("Related Party Transactions"), whereby certain details regarding transactions with group companies do not have to be disclosed where group financial statements are made publicly available

8 CASHFLOW STATEMENT

The company has taken advantage of the exemption within Financial Reporting Standard No 1 (Revised 1996) for 90% or more owned subsidiaries. Accordingly, it has not presented a cashflow statement as group financial statements are made publicly available

9 ULTIMATE PARENT UNDERTAKING

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is Close Brothers Group plc, the ultimate parent undertaking and controlling party, which is a listed company registered in England and Wales, and the parent undertaking of the smallest such group is Close Brothers Limited, registered in England and Wales. Copies of the financial statements of both companies may be obtained from 10 Crown Place, London EC2A 4FT