Registered No 2053453

Close Asset Finance Limited

Annual report and financial statements

For the year ended 31 July 2010

Registered No 2053453

Directors

R A Aust
B L Bannayi
W S Cumming
B J Dhenin
D J Dine
J A Fawcett
S J Gee
N T Hamilton
M Hartley
S R Hodges
R P Kearsey
N McDonald
M McNamara
N G Poxon
M Randall
R H Stone
D Wilson

Secretary

S C F Chan - resigned 15 July 2010
P J Davies - appointed 15 July 2010

Auditors

Deloitte LLP
London

Bankers

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

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

Lloyds TSB Bank Plc
5th Floor, 4-6 Copthall Avenue
London EC2R 7DA

HSBC Bank Plc
38 High Street
Dartford
Kent DA1 1DG

The Royal Bank of Scotland
10 Silver Street
Hull HU1 1JE

Solicitors

Wragge & Co LLP
3 Waterhouse Square
142 Holborn
London
EC1N 2SW

Registered Office

Tolworth Tower
Surbiton
Surrey KT6 7EL

Directors' report

The directors present their annual report, together with the financial statements and auditors' report for the year ended 31 July 2010

Results and dividends

The financial statements have been prepared on a going concern basis Profit before taxation amounted to £32,688,000 (2009 - £13,331,000)

There were interim and final dividends paid during the year of £93,300,000 (2009 - £nil)

Key performance indicators for the company are

	2010	2009
	£'000	£'000
Loan book including fixed assets held for operating leases	754,575	596,151
Profit before tax	32,688	13,331

Profit before tax has increased compared to 2009 in spite of increasing bad debt experienced during the year Growth in loan book of 27% confirms the company's strong financial position at the year end

Principal activities and review of the business

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

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

As shown in the company's profit and loss account on page 9, turnover has increased by 20% compared to prior year Profit before tax has increased by 145% over the same period The balance sheet on page 10 shows that the company's financial position at the year end (in both net assets and cash terms) remains strong, in particular when considering the current economic climate, and is consistent with prior year

The directors plan to continue with the present strategy of growing the existing businesses organically and through selective acquisitions

Directors' report (continued)

Post balance sheet events

The directors are not aware of any events subsequent to the year end, that would affect the financial statements

Principal risk management objectives and policies

The company is subject to the risk management processes of its ultimate parent company, Close Brothers Group plc ("CBG") These processes are described in the CBG Annual Report

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables, finance lease receivables and investments

Credit risk is one of the principal risks the company faces The credit risk is the risk of loss if another party fails to perform its obligation or fails to perform them in a timely fashion The company's credit risk is primarily attributable to its trade and finance lease receivables Credit risk at inception of new lending is controlled by a number of senior managers operating within a framework of delegated underwriting authorities In addition, arrears and other default-related information are monitored and discussed regularly by directors and other senior managers, and mitigating actions are taken in a timely manner where appropriate The amounts presented in the balance sheet are net of allowances for doubtful receivables An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows

Liquid funds are deposited with high credit-rated banks and a limit is placed on the total amount of funds on deposit with any one bank at all times

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers

Reputational risk

Damage to the company's reputation and competitive pressure are continuing risks The company mitigates these risks by providing added value services to its customers, having fast response times not only in supplying products and services but in handling all customer queries, and by maintaining strong relationships with customers

Foreign exchange risk

The company hedges any currency exchange risk by funding foreign currency deals with borrowings in the same currency

Price risk

The company lends to customers at fixed and variable rates The price charged on fixed rate lending is dependent on the cost of funds the company faces in funding these loans at the point of inception Accordingly the company faces little price risk

Liquidity risk

Liquidity risk is the risk of not being able to meet liabilities as they fall due The company is capitalised at a level required to meet its business and regulatory needs, and where necessary, has appropriate borrowing facilities from CBG The liquidity of the company is reviewed at its monthly board meeting and the overall funding position is reported to the group board each month

Directors' report (continued)

Going concern

After making enquiries, the directors have a reasonable assurance that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Further details regarding the adoption of the going concern basis can be found in the accounting policies in note one to the financial statements

Corporate Social Responsibility

CBG recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the group's activities The company operates within the group's Corporate Social Responsibility statement, which is described in the group's Annual Report Initiatives designed to minimise the company's impact on the environment include recycling and reducing energy consumption Approximately 15 tonnes of paper waste was recycled during the year as part of this initiative (2009 - 14 tonnes of paper waste)

Directors

The directors who served during the year, except as noted, were as follows

R A Aust
B L Bannayi
M J Barley - resigned 23 April 2010
S C F Chan - resigned 15 July 2010
W S Cumming
B J Dhenin
D J Dine
J A Fawcett
S J Gee
N T H Hamilton
M Hartley
S R Hodges
R P Kearsey
N McDonald - resigned 1 August 2010
M McNamara - appointed 19 April 2010
N G Poxon
M Randall
R H Stone
D Wilson

Directors' Indemnities

CBG's Articles of Association provide that each director and the secretary of each group 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

Employees

It is the policy of the company to provide equal opportunities to all employees and to consider all applications for employment The company does not discriminate on the basis of race or religion, sex or sexual orientation, marital status, age or disability

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is

Directors' report (continued)

Employees (continued)

arranged It is the company's policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

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

Charitable contributions

During the year, the company made various charitable contributions totalling £24,923 (2009 - £20,305)

Policy and practice on payment of creditors

The company does not follow any stated code on payment practice It is the company's policy to agree terms of payment with suppliers when agreeing the terms of each transaction and to abide by those terms Standard terms provide for payment of all invoices within 30 days after the date of the invoice, except where different terms have been agreed with supplier at the outset There were 30 creditor days of suppliers' invoices outstanding at the year end (2009 - 19)

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

Completeness of information supplied to auditor

Each of the persons who is a director at the date of the approval of this report confirms that

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Approved by the Board and signed on its behalf by -

Roger Stone
Director
23 September 2010

Statement of directors' responsibilities in respect of the financial statements

The dırectors are responsıble for preparıng the Annual Report and the financıal statements ın accordance wıth applıcable law and regulatıons

Company law requıres the dırectors to prepare financıal statements for each financıal year Under that law the dırectors have elected to prepare the financıal statements ın accordance wıth Unıted Kıngdom Generally Accepted Accountıng Practıce (Unıted Kıngdom Accountıng Standards and applıcable law) Under company law the dırectors must not approve the financıal statements unless they are satısfied that they gıve a true and faır vıew of the state of affaırs of the company and of the profit or loss of the company for that perıod In preparıng these financıal statements, the dırectors are requıred to

- select suıtable accountıng polıcıes and then apply them consıstently,
- make ȷudgements and accountıng estımates that are reasonable and prudent,
- state whether applıcable UK Accountıng Standards have been followed, and
- prepare the financıal statements on the goıng concern basıs unless ıt ıs ınappropriate to presume that the company wıll contınue ın busıness

The dırectors are responsıble for keepıng adequate accountıng records that are sufficıent to show and explaın the company's transactıons and dısclose wıth reasonable accuracy at any tıme the financıal posıtıon of the company and enable them to ensure that the financıal statements comply wıth the Companıes Act 2006 They are also responsıble for safeguardıng the assets of the company and hence for takıng reasonable steps for the preventıon and detectıon of fraud and other ırregularıtıes

Independent auditors' report

to the members of Close Asset Finance Limited

We have audited the financial statements of Close Asset Finance Limited for the year ended 31 July 2010 which compromise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 July 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Independent auditors' report

to the members of Close Asset Finance Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Fiona Walker (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
United Kingdom
23 September 2010

Profit and loss account

for the year ended 31 July 2010

	Notes	*2010* *£000*	*2009* *£000*
Turnover	2	103,100	86,041
Operating costs		(56,707)	(45,063)
Operating profit		46,393	40,978
Income from shares in group undertakings		16,500	-
Other income	3	-	91
Interest payable and similar charges	4	(30,205)	(27,738)
Profit on ordinary activities before taxation	5	32,688	13,331
Taxation	6	(4,946)	(3,615)
Profit on ordinary activities after taxation		27,742	9,716
Dividends paid in the year	7	(93,300)	-
Retained (loss) / profit		(65,558)	9,716

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

The statement of movements on reserves is shown in note 16 to the financial statements

There are no recognised gains or losses in the current or preceding year other than the profits disclosed above Accordingly no statement of total recognised gains and losses has been prepared

Registered No 2053453

Balance sheet

at 31 July 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Goodwill	8	3,371	3,559
Tangible assets	9	10,460	12,448
Investments	10	12,101	12,101
		25,932	28,108
Current assets			
Debtors - amounts falling due within one year	11	320,175	259,747
- amounts falling due after more than one year	11	467,154	360,014
Cash at bank and in hand		1,946	1,898
		789,275	621,659
Creditors: amounts falling due within one year	14	(811,654)	(580,656)
Net current (liabilities)/ assets		(22,379)	41,003
Total assets less current liabilities		3,553	69,111
Capital and reserves			
Called up share capital	15	1,208	1,208
Share premium account	16	3,757	3,757
Profit and loss account	16	(1,412)	64,146
Shareholders' funds	16	3,553	69,111

The notes on pages 11 to 25 form part of these financial statements

The financial statements were approved and authorised for issue by the board on 23 September 2010

Roger Stone
Director
23 September 2010

Notes to the financial statements

for the year ended 31 July 2010

1. Accounting policies

Accounting convention

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

Tangible fixed assets

Fixed assets are shown at cost less accumulated depreciation and less provision for impairment Depreciation is provided at rates calculated to write off the cost of fixed assets on a straight-line basis over their estimated useful lives as follows

Fixtures and fittings	-	20% per annum
Computer equipment	-	20% - 33% per annum
Motor vehicles	-	25% per annum

Goodwill

Goodwill arising as a result of reorganisation of the group during 2008 has been transferred out of cost of investment The amount of goodwill transferred represents the amortised goodwill which would have existed at the end of the year if the goodwill had been transferred at acquisition

Goodwill is written off on a straight-line basis over its useful economic life which is 20 years

Operating lease assets

Assets on hire to customers under operating lease agreements are treated as fixed assets Income from each lease is allocated to accounting periods over the lease term on a straight-line basis

The cost of assets on hire under operating lease agreements is depreciated to the anticipated residual value over the term of the lease

Finance leases and hire purchase

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 and hire purchase contracts are recognised as loans at the minimum instalment payments less finance charges

Finance charges on finance leases are taken to profit and loss account in proportion to the net funds invested

Provisions

Finance receivables are stated net of provisions against doubtful debts which are made on the basis of regular review by management The provision raised is an estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value and takes into account management's assessment of a combination of factors including each portfolio structure, characteristics of individual cases, past and expected credit losses and business and economic conditions

Documentation fees and commissions

Documentation fees receivable and commissions payable relating to loans and leases are deferred and recognised in the profit and loss account over the term of the loan or lease, in line with interest income

Investment in subsidiaries

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

Notes to the financial statements

for the year ended 31 July 2010

1. Accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred taxation is provided in full on material timing differences, at the rates of taxation anticipated to apply when these differences crystallise, arising from the inclusion of items of income and expenditure in taxation computations in periods different from those for which they are included in the financial statements Deferred tax balances are not discounted

Interest payable and similar charges

Interest payable comprises interest charged on bank loans, overdrafts and other loans

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and positions are set in the business review on page 2 The directors' report on pages 2 to 5 describes the results, key performance indicators, financial risk management objectives and its exposures to credit risk, liquidity risk, market risk

Whilst the company is in a net current liabilities position, it recorded a net assets position overall at year end The company is capitalised at a level required to meet its business and regulatory needs, and where necessary, has appropriate borrowing facilities from CBG

The company has adequate financial resources As a consequence, the Directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook

After making enquiries, the Directors have a reasonable assurance that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

Pensions

Contributions are made to a group defined benefit pension scheme for the funding of retirement benefits for each scheme member during their working life The company's contribution to defined benefit schemes is charged to the profit and loss account as described in note 17 to the accounts

Contributions to defined contribution schemes are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme

Share-based payments

Close Brothers Group plc ("CBG"), the ultimate parent company, operates long term incentive arrangements in which group employees have participated These include, an annual discretionary performance arrangement ("DSA") and four long term equity based incentive schemes ("Incentive Schemes"), the 2009 Term Incentive Plan ("LTIP") which replaced the 2004 Long Term Incentive Plan ("LTIP"), the 1995 Executive Share Option Scheme and the Inland Revenue approved Savings Related Share Option Scheme The company has applied FRS 20 to all grants of equity instruments under these Incentive Schemes after 7 November 2002

Notes to the financial statements

for the year ended 31 July 2010

Share-based payments (continued)

The costs of the annual discretionary performance related awards ("DSA") are based on the salary of the individual at the time the award is made The value of the share award at the grant date is charged to the company's income statement in the year to which the award relates

The cost of the Incentive Schemes is based on the fair value of awards on the date of grant Fair values are determined using a stochastic (Monte Carlo simulation) 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 CBG share price over the life of the option award and other relevant factors The stochastic pricing model is also used to calculate the fair value of the market related element of the LTIP awards Vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of shares in each award such that the amount recognised reflects the number that are expected to, and then actually do, vest CBG expense the fair value of the awards, including recharges to subsidiary companies where applicable, in their income statement on a straight line basis over the vesting period, with a corresponding credit to the share-based awards reserve At the end of the vesting period, or upon exercise, lapse or forfeit if earlier, this credit is transferred to retained reserves Further information on the company's schemes is provided in note 21

Cash flow statement

The company has taken advantage of the exemption within FRS 1 (Revised 1996) for 90% or more owned subsidiaries Accordingly, it has not presented a cash flow statement

Group accounting

The company has taken advantage of the exemption available under section 400 of the Companies Act 2006 from preparing group financial statements Accordingly these financial statements only contain information about Close Asset Finance Limited and not its subsidiary undertakings

2. Turnover

Turnover, which arises wholly in the UK, represents net finance income arising from finance leases, hire purchase contracts and regulated agreements, as well as commission and collection fees, exclusive of VAT The analysis of turnover is as follows

	2010	*2009*
	£000	*£000*
Hire purchase	48,621	38,692
Lease finance	26,128	25,146
Regulated agreements	5,104	2,717
Operating Lease	902	987
Variable interest and other income	22,345	18,499
	103,100	86,041

3. Other income

	2010	*2009*
	£000	*£000*
Bank interest	-	91

Notes to the financial statements

for the year ended 31 July 2010

4. Interest payable and similar charges

	2010	2009
	£000	£000
Payable to group undertakings	30,193	27,716
Bank loans and overdrafts	12	22
	30,205	27,738

5. Profit on ordinary activities before taxation

(a) This is stated after charging

	2010	2009
	£000	£000
Auditors' remuneration - audit of annual accounts	128	90
- other services	-	-
Depreciation of tangible fixed assets	1,123	1,018
Depreciation of assets held for operating leases	2,975	3,356
Staff costs including executive directors		
Wages and salaries	16,732	14,595
Social security costs	2,251	2,132
Other pension costs	752	738
Share based awards	129	17
Operating lease rentals payable Leasehold property rents	640	434
Gains on disposal of fixed assets	18	10

(b) Directors' remuneration

	2010	2009
	£000	£000
Emoluments	4,400	4,944
Company contributions paid to money purchase schemes	145	151

	No	No
Members of money purchase pension schemes	9	12
Members of defined benefit pension schemes	4	4

The amounts in respect of the highest paid director are

	£000	£000
Emoluments	596	536
Company contributions paid to money purchase schemes	-	-

(c) Employee numbers

The average number of employees, including executive directors, during the year was

	2010	2009
	No	No
Office and management	145	118
Sales and collections	130	108
	275	226

Notes to the financial statements

for the year ended 31 July 2010

6. Taxation on profit on ordinary activities

(a) Analysis of charge in the year

	2010 £000	2009 £000
Current Tax		
UK corporation tax	6,559	8,554
Corporation tax (over) / under provided in prior year	3,446	(1,875)
Total current tax (note 6(b))	10,005	6,679
Deferred Tax		
Deferred tax - current year	(1,231)	(4,644)
Prior year adjustment - deferred tax	(3,828)	1,580
Total deferred tax (note 13)	(5,059)	(3,064)
Tax on profit on ordinary activities	4,946	3,615

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK at 28% (2009 - 28%) The differences are reconciled below

	2010 £000	2009 £000
Profit before tax	32,688	13,331
Expected tax charge at 28% (2009 - 28%)	9,153	3,733
Expenses not deductible for tax purposes	120	9
Capital allowances less than depreciation	2,306	4,603
Movement in general provisions	(400)	47
Movement in deferred bonus	-	162
Tax (under) / over provided in previous years	3,446	(1,875)
Intercompany dividend	(4,620)	-
Corporation tax charge (note 6(a))	10,005	6,679

7. Dividends on equity shares

Amounts recognised as distributions to equity holders in the period:	2010 £000	2009 £000
Interim and final dividend for the year ended 31st July 2010 of 772p per ordinary share (2009 - nil)	93,300	-
	93,300	-

Notes to the financial statements

for the year ended 31 July 2010

8. Goodwill

	£000
Cost	
At 1 August 2009	3,746
At 31 July 2010	3,746
Amortisation	
At 1 August 2009	187
Charge for the year	188
At 31 July 2010	375
Net book value	
At 31 July 2010	3,371
At 31 July 2009	3,559

9. Fixed Assets

	Motor vehicles *£000*	*Fixtures, fittings and computer equipment* *£000*	*Assets held for operating leases* *£000*	*Total* *£000*
Cost				
At 1 August 2009	287	6,824	20,677	27,788
Additions	-	907	3,425	4,332
Disposals	(178)	(22)	(5,693)	(5,893)
At 31 July 2010	109	7,709	18,409	26,227
Depreciation				
At 1 August 2009	175	3,945	11,220	15,340
Charge for the year	46	1,076	2,975	4,097
Disposals	(133)	(23)	(3,514)	(3,670)
At 31 July 2010	88	4,998	10,681	15,767
Net book value				
At 31 July 2010	21	2,711	7,728	10,460
At 31 July 2009	112	2,879	9,457	12,448

Notes to the financial statements

for the year ended 31 July 2010

9. Fixed Assets (continued)

Future minimum lease rentals receivable in respect of operating leases

	2010	*2009*
	£000	*£000*
Within one year	5,954	3,436
Between two and five years	7,562	4,775
	13,516	8,211

10. Investments

Subsidiary Undertakings	*Kingston Asset Finance Ltd*	*Surrey Asset Finance Ltd*	*Close Business Finance Ltd*	*Close Brewery Rentals Ltd*	*Close Leasing Ltd*	*Commercial Vehicle Solutions Ltd*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Cost							
At 1 August 2009	12,079	4,265	678	771	1,729	2,602	21,584
Acquisitions	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
At 31 July 2010	12,079	4,265	678	771	1,729	2,062	21,584
Impairment							
At 1 August 2009	8,941	-	542	-	-	-	9,483
At 31 July 2010	8,941	-	542	-	-	-	9,483
Net book Value							
At 31 July 2010	3,138	4,265	136	771	1,729	2,062	12,101
At 31 July 2009	3,138	4,265	136	771	1,729	2,062	12,101

Notes to the financial statements

for the year ended 31 July 2010

10. Investments (continued)

Details of the investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows

Name of company	*Country of registration (or incorporation) and operation*	*Holding*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings - all held by the company unless indicated				
Air and General Finance Limited	England and Wales	Ordinary shares	100%	Dormant
Close Marine Finance Limited (*)	England and Wales	Ordinary shares	100%	Dormant
Close Asset Finance (T&E) Limited (*)	England and Wales	Ordinary shares	100%	Dormant
Surrey Asset Finance Limited	England and Wales	Ordinary shares	100%	Financing
Close Business Finance Limited	England and Wales	Ordinary shares	100%	Dormant
Commercial Finance Credit Limited (**)	England and Wales	Ordinary shares	100%	Dormant
Kingston Asset Finance Limited	England and Wales	Ordinary shares	100%	Dormant
Kingston Asset Leasing Limited (***)	England and Wales	Ordinary shares	100%	Dormant
Close Brewery Rentals Limited	England and Wales	Ordinary shares	75 1%	Financing
Close Leasing Limited	England and Wales	Ordinary shares	85%	Financing
Reliance Financial Contacts Limited	England and Wales	Ordinary shares	100%	Dormant
ECasks Limited (+)	England and Wales	Ordinary shares	75 1%	Dormant
Commercial Vehicle Solutions Limited	England and Wales	Ordinary Shares	75 1%	Financing

(*) shares held by Air and General Finance Limited, and are dormant companies
(**) shares held by Surrey Asset Finance Limited
(***) shares held by Kingston Asset Finance Limited
(+) shares held by Close Brewery Rentals Limited

Notes to the financial statements

for the year ended 31 July 2010

11. Debtors

	Amounts falling due within one year		*Amounts falling due after more than one year*	
	2010	*2009*	*2010*	*2009*
	£'000	*£'000*	*£'000*	*£'000*
Finance receivables	279,693	226,680	467,154	360,014
Other debtors	1,070	682	-	-
Amounts owed by group undertakings	7,181	11,901	-	-
Other taxes	2,346	633	-	-
Prepayments	11,675	6,700	-	-
Deferred tax (note 13)	18,210	13,151	-	-
	320,175	259,747	467,154	360,014

Included in finance receivables are the following amounts

	Gross	*Unearned charges*	*Net*	*Net*
	2010	*2010*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*
HP agreements				
within one year	200,968	(43,014)	157,954	145,395
after one year	309,332	(41,744)	267,588	214,200
	510,300	(84,758)	425,542	359,595
Finance leases				
within one year	94,939	(21,811)	73,128	66,939
after one year	167,627	(23,387)	144,240	129,904
	262,566	(45,198)	217,368	196,843
Regulated loans				
within one year	54,908	(6,297)	48,611	14,346
after one year	63,838	(8,512)	55,326	15,910
	118,746	(14,809)	103,937	30,256
Total				
within one year	350,815	(71,122)	279,693	226,680
after one year	540,797	(73,643)	467,154	360,014
	891,612	(144,765)	746,847	586,694

12. Hire purchase contracts and finance leases

The aggregate cost at 31 July 2010 of assets acquired for the purpose of letting under hire purchase contracts or finance leases £875,845,597 (2009- £786,788,619)

Notes to the financial statements

for the year ended 31 July 2010

13. Deferred taxation

	Capital allowances		*Short term and other timing differences*		*Total*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Total deferred tax asset	16,676	11,249	1,534	1,902	18,210	13,151

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

	£000
At 1 August 2010	13,151
Deferred tax credit in the profit and loss account (note 6(a))	5,059
Intercompany transfer	-
At 31 July 2010 (note 11)	18,210

14. Creditors: amounts falling due within one year

	2010	*2009*
	£000	*£000*
Bank overdrafts	2,645	1,136
Trade creditors	12,170	9,442
Amounts due to parent undertaking	776,498	558,626
Amounts due to group undertakings	222	-
Current corporation tax	7,803	1,446
Other taxes and social security costs	58	-
Accruals and deferred income	12,258	10,006
	811,654	580,656

15. Called up share capital

	Authorised, allotted and fully paid up	
	2010	*2009*
	£000	*£000*
Ordinary shares of £1 each		
"A" ordinary	1,008	1,008
"B" ordinary	200	200
	1,208	1,208

"A" and "B" shares convey identical rights to the owners and rank pari passu on winding up

Notes to the financial statements

for the year ended 31 July 2010

16. Reconciliation of movements in shareholders' funds and reserves

	Share capital	*Share premium*	*Profit and loss account*	*Total shareholders' funds*
	£000	*£000*	*£000*	*£000*
At 1 August 2009	1,208	3,757	64,146	69,111
Profit for the financial year	-	-	27,742	27,742
Dividends paid	-	-	(93,300)	(93,300)
At 31 July 2010	1,208	3,757	(1,412)	3,553

On 29 July 2010 the company paid a dividend of £4,300,000 to its parent company based on interim management accounts as at 30 June 2010 These accounts showed sufficient distributable reserves to enable payment of the dividend

A number of adjustments are required to present the accounts under UK GAAP for the year ended 31 July 2010 These adjustments have resulted in a deficit in the profit and loss account

The directors believe that the deficit will be reversed from the profits expected to be achieved during the initial months of the 2011 financial year end

17. Pension arrangements

The company makes payments to defined contribution pension schemes and to a defined benefits pension scheme for eligible employees Assets of all schemes are held separately from those of the company The company pension charge for both the defined contribution scheme and the defined benefits pension scheme for the year was £952,085 (2009 - £738,168)

The defined benefits pension scheme is described in the financial statements of the ultimate parent undertaking Contributions to this scheme by the company are accounted for as if the scheme was a defined contribution pension scheme since assets and liabilities of the scheme cannot be attributed to each participating employer on a consistent and reasonable basis Consequently, any surplus or deficit in this scheme is not regarded as an asset or liability of the company but of the ultimate parent undertaking

The company contribution rate for the year ended 31 July 2010 is 31 5% and for future years is 31 5% per annum of pensionable salaries which, under actuarial advice, should meet all pension obligations as determined by an independent qualified actuary, based on valuations, every three years, using the aggregate cost method The most recent full actuarial valuation was at 31 July 2009

At 31 July 2010 the company had outstanding pension contributions of £nil (2009 - £nil) relating to the defined contribution schemes and £nil (2009 - £nil) relating to the defined benefit scheme

Notes to the financial statements

for the year ended 31 July 2010

18. Financial commitments

The annual commitment under non cancellable operating leases was as follows

	Land & buildings		*Motor vehicles*		*Total*	
	2010	*2009*	*2010*	*2009*	*2010*	*2009*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Leases expiring						
Within 1 year	589	538	334	269	923	807
Between 2 and 5 years	2,131	1,989	249	273	2,380	2,262
After 5 years	1,876	1,065	-	-	1,876	1,065
	4,596	3,592	583	542	5,179	4,134

19. Related party transactions

The company has taken advantage of the exemptions conferred by FRS 8 ('Related Party Transactions'), whereby details of transactions with group companies do not have to be disclosed in the subsidiary entity if the entity is 100% owned and if group financial statements are publicly available

There are no other related party transactions requiring disclosure

20. Parent undertaking

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

21. Share-based awards

Share-based awards have been granted under the following Close Brothers Group plc share schemes 1995 Executive Share Option Scheme ("1995 Scheme"), Save As You Earn ("SAYE") Scheme, 2009 and 2004 Long Term Incentive Plans ("LTIP") and the discretionary annual performance arrangement satisfied by deferred shares ("DSA")

Notes to the financial statements

for the year ended 31 July 2010

21. Share-based awards (continued)

					Number of options					
Year of Grant	Exercise period start [2]	end	Market price upon exercise[1]	Exercise price per share	At 1 August 2009	Transfer	Granted	Exercised	Forfeited Lapsed	At 31 July 2010
1999	03 Nov 2002	02 Nov 2009		755 8p	14,182	-	-	-	(14,182)	-
1999	03 Nov 2004	02 Nov 2009		779 5p	1,924	-	-	-	(1,924)	-
1999	03 Nov 2004	02 Nov 2009	793 0	755 8p	41,850	-	-	(16,760)	(25,090)	-
2000	23 Oct 2003	22 Oct 2010		1090 8p	25,010	-	-	-	-	25,010
2000	23 Oct 2005	22 Oct 2010		1090 8p	25,010	-	-	-	-	25,010
2001	26 Sep 2004	25 Sep 2011		542 98p	7,735	-	-	-	-	7,735
2001	26 Sep 2006	25 Sep 2011	796 0	542 98p	23,206	-	-	(10,314)	-	12,892
2002	08 Oct 2007	07 Oct 2012	779 0	436 32p	34,034	-	-	(24,752)	-	9,282
2003	07 Oct 2006	06 Oct 2013		732 5p	2,047	-	-	-	-	2,047
2003	07 Oct 2006	06 Oct 2013		710 23p	21,609	-	-	-	-	21,609
2003	07 Oct 2008	06 Oct 2013		732 5p	6,141	-	-	-	-	6,141
2003	07 Oct 2008	06 Oct 2013		710 23p	51,163	-	-	-	-	51,163
2004	07 Oct 2007	06 Oct 2014		675 0p	2,222	(2,222)	-	-	-	-
2004	07 Oct 2007	06 Oct 2014	793 0	654 48p	34,579	(287)	-	(14,439)	-	19,853
2004	07 Oct 2009	06 Oct 2014		675 0p	2,222	(2,222)	-	-	-	-
2004	07 Oct 2009	06 Oct 2014		654 48p	34,579	(287)	-	-	-	34,292
SAYE										
2004	01 Dec 2009	31 May 2010	697 0	540 0p	3,060	-	-	(3,060)	-	-
2005	01 Dec 2010	31 May 2011		661 0p	4,870	-	-	-	-	4,870
2006	01 Dec 2009	31 May 2010		807 0p	2,153	-	-	-	(2,153)	-
2006	01 Dec 2011	31 May 2012		807 0p	2,636	-	-	-	(2,029)	607
2007	01 Dec 2010	31 May 2011		620 0p	5,999	-	-	-	(432)	5,567
2007	01 Dec 2012	31 May 2013		620 0p	541	-	-	-	-	541
2008	01 Dec 2011	31 May 2012		428 0p	107,251	(2,242)	-	(700)	(11,137)	93,172
2008	01 Dec 2013	31 May 2014		428 0p	65,738	-	-	-	(3,913)	61,825
2009	01 Dec 2012	31 May 2013		616 0p	-	-	32,005	-	(558)	31,447
2009	01 Dec 2014	31 May 2015		616 0p	-	-	18,776	-	-	18,776
2004LTIP										
2006	02 Oct 2009	02 Oct 2010	760 0	0 0p	32,606	-	-	(9,806)	(22,800)	-
2007	02 Oct 2010	01 Oct 2011		0 0p	72,542	(6,762)	-	-	(7,685))	58,095
2008	07 Oct 2011	06 Oct 2012		0 0p	32,181	(9,833)	-	-	-	22,348
2009LTIP										
2009	18 Nov 2009	17 Nov 2012		0 0p	-	-	15,028	-	-	15,028
DSA										
2007	01 Sep 2009	30 Sep 2014	777 0	0 0p	39,257	-	-	(22,146)	-	17,111
2008	01 Sep 2010	30 Sep 2015		0 0p	92,126	-	-	-	-	92,126
2009	01 Sep 2011	30 Sep 2016		793 0p	-	-	44,511	-	-	44,511
					788,473	(23,855)	110,320	(101,977)	(91,903)	681,058

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

Notes to the financial statements

for the year ended 31 July 2010

21. Share-based awards (continued)

Close Brothers Group plc (the "Group") operates long-term performance related incentive arrangements These include the 2009 LTIP, 2004 LTIP, the 1995 Scheme, the DSA and the SAYE Scheme Grants under the 2009 LTIP, DSA arrangement and the SAYE Scheme are made annually and are expected to continue for the foreseeable future No further grants will be made under the 2004 LTIP and the 1995 Scheme

Following the payment of a special dividend by Close Brothers Group plc on 6 November 2007, options under that company's 1995 Executive Share Option Scheme (other than options under the HM Revenue and Customs approved section of that Scheme) were adjusted by the Remuneration Committee of Close Brothers Group plc ("the Committee") to take account of the depreciatory effect of the special dividend

The aggregate amount payable on exercise of these options and the latent gain per share will be unaltered, subject to normal market factors

Annual discretionary performance related awards ("DSA") are at the discretion of the Committee, and are determined in the light of the factors described in the Remuneration Policy set out in the Annual Report of Close Brothers Group plc A proportion of an employee'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 be deferred in shares which vest after two years ("the Deferred Element") The Deferred Element will be forfeited if the employee 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 Close Brothers Group plc 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 employee is entitled to the value of dividends in respect of the shares under the Deferred Element accumulated over the period of deferral The exercise price of each Deferred Share Award issue is 0 0p

For each SAYE and 2009/2004 LTIP issue, the exercise end date is respectively six months and twelve months after the exercise start date All eligible employees are entitled to participate in the SAYE Scheme on the same terms and options are granted for a fixed contract period of three or five years, usually at an exercise price at a discount of 20 per cent to the mid-market price at the date of invitation to participate The exercise price of each 2009 and 2004 LTIP issue is 0 0p

The 2009 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 are split evenly under the 2009 LTIP and consist of earnings per share ("EPS") growth, absolute Total Shareholder Return ("TSR") growth and a balanced scorecard of strategic goals for the remaining one third The Committee considers that this mix of targets provides an appropriate balance between rewarding improvements in the Group's financial performance, while also recognising relative stock market performance Performance criteria will be calculated by the Committee Please refer to the Group's Annual Report 2010 for full details of the schemes

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2010 was 443p (2009 285p) The main assumptions for the valuation of these share-based awards comprised

Notes to the financial statements

for the year ended 31 July 2010

21. Share-based awards (continued)

Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1st Dec 2012 to 31st May 2013	770 0p	616 0p	46%	3 0	5 3%	2 4%
1st Dec 2014 to 31st May 2015	770 0p	616 0p	39%	5 0	5 3%	2 7%
LTIP						
18th Nov 2012 to 17th Nov 2013	730 0p	-	44%	3 0	5 3%	1 9%
Deferred Share Awards						
1st Sep 2011 to 30th Sep 2016	793 0p	-	-	-	-	-

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant

22. Post Balance Sheet Events

The directors are not aware of any events subsequent to the year end that would affect the financial statements