Close Brothers

BRIEF PROFILE

Close Brothers is an independent merchant banking group listed on the London Stock Exchange. The Bank was founded in the City of London in 1878. The major shareholders are large UK financial investors such as insurance companies, pension funds and investment groups.

Close Brothers' main activities comprise the six related specialist merchant banking services set out on page 5. Most of these operations meet the financial needs of medium-sized companies.

Close Brothers is dedicated to giving its various clients continuity, high quality service, integrity and an uncompromising professionalism.

The executive management of the holding company have minority equity interests, stemming mainly from a management buy-out of the Bank from Consolidated Gold Fields in 1979. Key executives in most of the group's subsidiaries have significant minority shareholdings in their respective companies.

520241

DIRECTORS AND ADVISERS

Directors of Close Brothers Group plc

Executive Directors

R. D. Kent, Managing Director, aged 46, M.B.A., joined Close Brothers in 1974 having originally started his City career in the investment department of J. Henry Schroder Wagg & Co., Limited. He is a non-executive director of English & Scottish Investors PLC and Wessex Water PLC.

P. J. Stone, aged 47, Solicitor, served his articles with Slaughter and May and was employed by Clintons before joining Close Brothers in 1975. He is a non-executive consultant to the partnership of Thomas Miller & Co.

P. L. Winkworth, aged 45, F.C.A., A.T.I.I., was employed by Peat Marwick Mitchell & Co. and then in the corporate finance department of Baring Brothers & Co., Limited, before joining Close Brothers in 1977.

J. G. T. Thornton, aged 46, M.B.A., F.C.A., joined Close Brothers in 1984 having previously been deputy managing director of CINVEN and before that with 3i plc, NEB and Arthur Andersen & Co.

Non-Executive Directors

H. G. Ashton, Chairman, aged 63, D.L., F.C.A., is a non-executive director of The Albert Fisher Group PLC. He was formerly an executive director of Hanson PLC and J. Henry Schroder Wagg & Co., Limited.

Lord Denman, aged 77, C.B.E., M.C., was previously a director of Consolidated Gold Fields PLC, The British Bank of the Middle East, The Saudi British Bank (Riyadh) and Marine & General Mutual Life. He was appointed a non-executive director of Close Brothers Limited in 1977.

A. H. Farley, aged 47, Solicitor, is one of the founding partners of City solicitors Watson, Farley and Williams, of which he is the senior partner.

P. J. Gaynor, aged 67, was previously senior partner of City solicitors McKenna & Co., and chairman of Henderson Group plc. He is a director of N. M. (UK) Limited.

M. H. F. Morley, aged 53, M.B.A., is deputy chairman of Portals Holdings PLC, and was previously a managing director of Charterhouse Group PLC. He is also a non-executive director of Foreign & Colonial PEP Investment Trust PLC.

Secretary
T. D. Cansick, M.B.A., A.C.I.B.

Auditors
Touche Ross & Co (Holding Company).

Ernst & Young (Authorised Institution).

Solicitors
Freshfields.

Stockbrokers
S. G. Warburg Securities Limited.

Directors of Close Brothers Limited

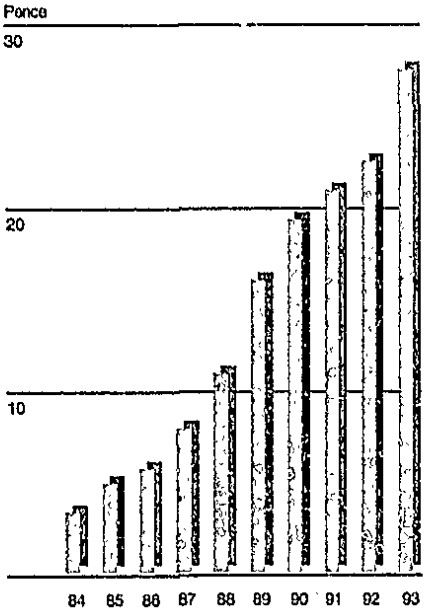
R. D. Kent*, M.A., M.B.A.	Chairman
P. J. Stone*, M.A., Solicitor	Deputy Chairman
P. L. Winkworth*, F.C.A., A.T.I.I.	Deputy Chairman
H. G. Ashton*, M.A., F.C.A., D.L.	Non-executive
C. D. Keogh, M.A., M.B.A., Bar., A.T.I.I.	Chief Executive
S. R. Hodges, M.A., Bar.	Managing Director
T. D. Cansick, M.B.A., A.C.I.B.	Director, Finance
J. A. B. Kelly, R.D., L.L.B., F.C.A.	Director, Corporate Finance
H. A. Lloyd, M.A., A.C.A.	Director, Corporate Finance
D. C. Pusinelli, M.A., A.C.A.	Director, Corporate Finance
P. H. Reeve, M.A., A.C.A.	Director, Corporate Finance
P. N. Williamson	Director, Banking
L. M. Bland, M.I.C.M.	Managing Director, Century
V. L. Cannock	Chairman, Air & General Finance
D. G. Hardisty	Managing Director, Close Asset Finance
J. Lewis	Managing Director, Close Consumer Finance
R. Mountain, B.A. (Econ.)	Managing Director, Business Advisory Services
J. G. T. Thornton*, M.A., M.B.A., F.C.A.	Managing Director, Close Investment Management
B. M. Winterflood, M.S.I. Dip.	Managing Director, Winterflood Securities

* Director of Close Brothers Group plc

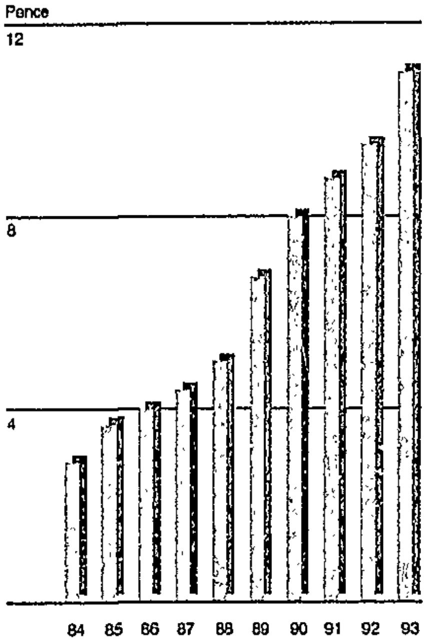
A list of the principal operating companies, their addresses and senior management is given on pages 30 and 31.

Close Brothers

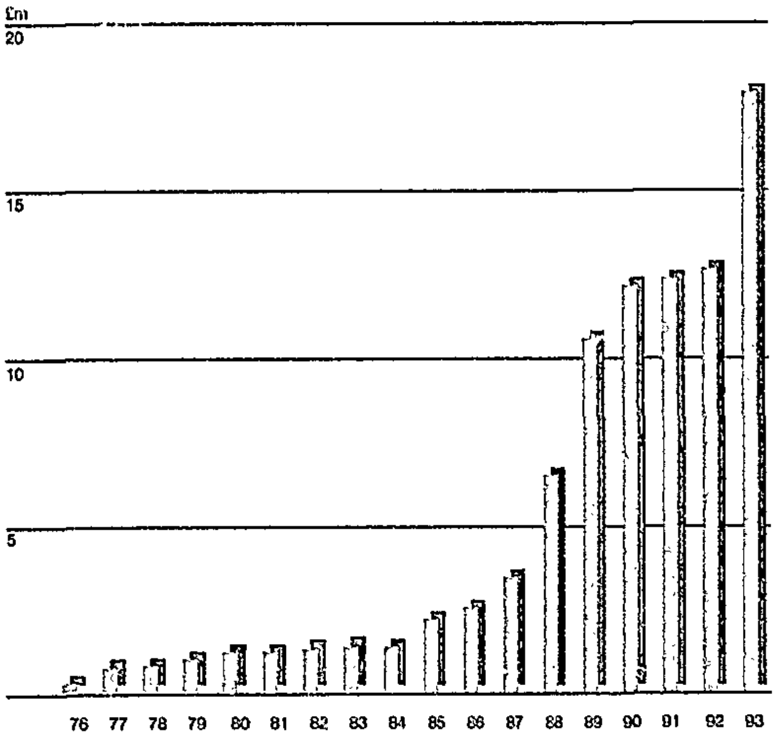
HISTORICAL TRENDS



Group earnings per share



Group dividends per share



Group profit before tax

The profit figures have been taken from the audited accounts and, prior to 1984, those of Safeguard and Close Brothers have been adjusted to be co-terminous.

MAIN ACTIVITIES

City Merchant Banking	**Close Brothers** Corporate Finance Commercial Lending Treasury
Investment Management	**Close Investment Management** Development Capital **Close Brothers Investment** BES and EZT Management
Market-Making	**Winterflood Securities** Market-Making in stocks of medium to smaller companies
Asset Finance	**Close Asset Finance** Printing Equipment Commercial Vehicles Commercial Plant **Air & General Finance** Light Aircraft **Close Consumer Finance** Cars
Credit Management	**Century** Debt Factoring Invoice Discounting **Business Advisory Services** Debt Collection Agency
Insurance Premium Financing	**Prompt U.K.** **Prompt U.S.**

Close Brothers

CHAIRMAN'S STATEMENT

I am delighted to report an excellent set of results to shareholders. Group profits before tax were up 42% to £17.8 million (1992 — £12.6 million), earnings per share were up 22% to 27.5p (1992 — 22.5p) and total assets exceeded £500 million. The Board is recommending a final dividend of 7.8p net per share which, together with the interim dividend, makes a total distribution for the year of 11.0p net per share (1992 — 9.5p), an increase of 16%. The net dividend is covered some 2.4 times.

"An excellent set of results . . . earnings per share up 22%"

This has been an important year for the Group. The good figures emphasise the key attributes behind the bare financial numbers — namely, continuity and depth of management, real skill and careful market positioning in each of our specialised merchant banking activities, and a rigorous concentration on profitability.

As part of our planned expansion we made our biggest acquisition to date. In April 1993 we purchased control of Winterflood Securities for £19.1 million, of which £17.3 million was raised by a vendor placing of shares and the balance paid in cash. Winterflood satisfies many of the criteria we look for in our acquisitions. The management are a closely knit team who have worked together for a long time and have a continuing equity interest in their company. Their business is highly focused, specialising in market-making in stocks of medium to smaller listed companies. They are pre-eminent in their field. Winterflood's initial months within our Group have been exceptionally good because of the recent activity in stocks of smaller listed companies. We look forward, with them, to an exciting future.

"We made our largest acquisition to date . . . Winterflood Securities . . . for £19.1 million"

In all of our other main activities, we performed well and I would like to thank all members of our staff whose efforts have brought about these results. Most particularly, special thanks are due to our City-based staff who, for the second time within a year, had to cope with the disruption and discomfort caused by the IRA bomb in Bishopsgate in April.

We welcome Alastair Farley, the senior partner of solicitors Watson, Farley and Williams, to the Board as a non-executive director. At the annual general meeting, Lord Denman and Pat Gaynor will be retiring from the Board after 6 years (16 years with Close Brothers Limited) and 10 years respectively. I place on record our sincere thanks for the wisdom and guidance which they have both given us over those many years. We wish them both well for the future; Lord Denman will be remaining with us in an advisory capacity.

Since the spring we have noticed a distinct improvement in the general economic circumstances of most of our various specialist market-places. We are not expecting any dramatic up-turn but we do anticipate that a further gradual improvement will continue over the year ahead.

"This is our eighteenth year of unbroken increase in profits . . . The outlook for the future is bright"

This is our eighteenth year of unbroken increase in profits under the same top management team. It marks another important step in our stated goal of building up a major merchant banking group. The outlook for the future is bright.

H. G. Ashton

H. G. Ashton
Chairman

The key operational feature of the year was that all of our six main areas of business activity operated above or near their budgeted objectives.

In the City our contingency plans were put to the test, for the second year running, by the IRA bomb in Bishopsgate in April. The bomb exploded on a Saturday, but by the close of Monday's business we had completely relocated all our City staff into two new offices and re-established our treasury dealing operation, two different computer systems and full telephone lines — a remarkable effort. Although causing no measurable financial loss, the bomb has made life frustrating and difficult for our City staff. We are fully supportive of the various traffic and other security measures now being taken by the City Corporation.

City Merchant Banking

Our **Corporate Finance Division** had a good year, achieving its planned objectives. We have been busy throughout the period, which is a direct result of continuing to target the medium-sized U.K. public (and private) company as our client base. The number of our public company clients grew significantly throughout the year and we acted for more than twenty-five public companies.

> "Our Corporate Finance Division has been busy throughout . . . the number of public company clients grew significantly"

The mix of our work also varied, covering new issues, rights issues, rescues, refinancings and acquisitions and disposals. Highlights included the flotation of Drew Scientific, Caledonia's acquisition of Wallem (Hong Kong) and advice to the minority shareholders in Manchester Ship Canal.

Our City based **Commercial Lending Division** is but part of a larger picture, with most of our lending within the group being carried out through specialist subsidiaries. Compared to the more difficult times of the previous year, when we reduced the number of staff involved in this area, profitability in the City was successfully rebuilt in line with budget. Bad debt provisions were down substantially on the previous year, and both margins and related fee income improved noticeably.

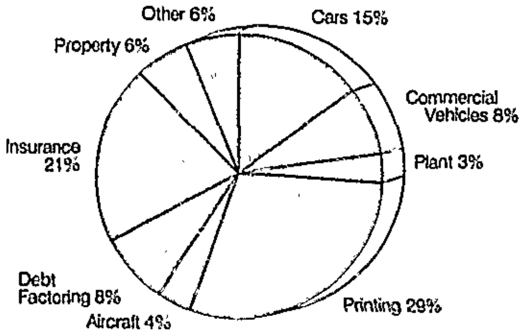
> "Profitability of our Commercial Lending Division was successfully rebuilt . . . margins and fee income have improved"

Throughout the recession we have continued to lend carefully and prudently against property transactions. Overall, however, property lending continues to be only some 6% of our group loan portfolio.

Our **Treasury Division's** main function is to supply, organise and monitor the funding of the group's lending operations. Deposit volumes were significantly up all year, particularly those from the non-banking sector and those on term notice. In addition we now have committed term facilities in excess of £260 million.

We monitor carefully the overall maturity profile of our loans and much of our portfolio has a short maturity; out of a total loan portfolio at year end of £329 million, some 50% is due to be repaid by July 1994.

Our policy is only to make secured loans and we are careful to ensure that there continues to be a broad mix of different assets against which security is taken. At 31st July, 1993 the mix of group loans can be analysed as follows:—



Most of our fixed-rate lending is closely matched with fixed-rate borrowings through the use of interest rate swaps.

Investment Management

Close Investment Management, which manages some £50 million of development capital funds on behalf of institutional investors, had a satisfactory year. During the period our emphasis has continued to be on helping investee companies weather the recession. Thus, it was pleasing to see, particularly in the second half, that the majority of investees survived the recession well and are now moving ahead.

The number of enquiries from private companies seeking equity investment was noticeably down on previous years, although we made an increased number of new investments on acceptable terms.

"The majority of investees survived the recession well . . . valuations have recently gone up markedly"

The new interest in smaller companies and their improving performance has meant that valuations of the investments we manage have recently gone up markedly. With substantial realisations we still have some £10 million of cash under management to invest and we are continuing to be highly selective.

Close Brothers Investment, which is number two in the BES market-place, had a sparkling year. For the tax year ended 5th April, 1993 we raised £108 million of BES funds compared to £34 million the year before. With one exception, we only sponsored assured exit schemes and have sought to deal with high quality counter-parties.

"We are number two in the BES market-place . . . we have maintained our reputation for being innovative"

Throughout the year, we maintained our reputation for being innovative and scored several industry "firsts". We were the first to sponsor a BES issue for a clearing bank, the first for a building society, the first with a six month loan-back facility and, most recently, the first with a FTSE Index link. To deal with the large demand from Oxbridge colleges, we have recently teamed up with Save & Prosper to increase our marketing distribution.

We are anticipating a busy time up to the end of December 1993 when BES expires. For the current fiscal year we have already sponsored over £75 million of new BES issues. For the longer term future we will have significant monitoring income over the next five years. In addition, we are studying other tax-sheltered products where we believe there are opportunities for deploying our skills.

Market-Making

Winterflood Securities, which we acquired only in April, has already become a significant addition to our group. Formed just over five years ago, Winterflood has always been profitable, other than during its first few start-up months. The company has consistently concentrated on the, sometimes unfashionable, area of market-making in medium to smaller companies' stocks, and now makes markets in over 1,100 separate stocks. This steadfastness of purpose, combined with efficiency of execution, computer systems and back office, has meant that Winterflood has now established a leading position in this section of the Stock Market.

The results of Winterflood since its acquisition have been excellent, reflecting the recent upsurge of interest in the stocks of medium to smaller companies and the resurgence of new issues. Whilst many factors contribute to the performance of the company, not least the skill of the individual dealers, a crucial determinant of profitability is the number of bargains transacted. A particular feature of the last few months has been the amount of activity in the stocks of smaller companies as a proportion of overall Stock Exchange volumes.

"Winterflood has established a leading position in market-making in medium to smaller companies' stocks . . . its results since acquisition have been excellent"

Whilst recent high levels of activity may not be maintained indefinitely, nonetheless we believe that the business has considerable opportunities for strong organic growth both in its existing and in closely related areas.

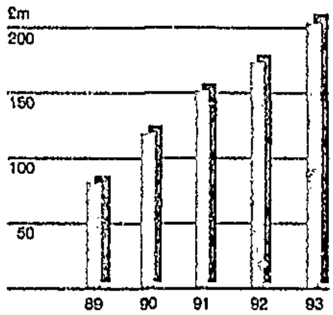
Asset Finance

Our Asset Finance Division has achieved good growth during the year, with the incidence of arrears, repossessions and bad debts all reducing over the period. With some competitors still in disarray, margins and other fee income have also improved. Overall net balances of our asset finance receivables increased some 16% over the year.

"Our Asset Finance Division achieved good growth . . . our receivables increased by some 16%"

There has been a steady increase of such receivables over the last five years as the bar-chart shows below:—

Net Receivables



Close Asset Finance had a good year and both the values and volumes of German printing equipment, its main area of expertise, held up well — partially helped by the effective devaluation of sterling last September and by the increase in the proportion of second-hand machinery financed. The main area of growth was printing equipment, with the volumes of other assets financed remaining broadly stable. Business in the Northern region, serviced by our Derby office, was noticeably slower than activity in the South but our new Glasgow office made a useful maiden contribution.

Air & General reversed the disappointments of last year, returning to profitability and sorting out its repossessions. Prices of helicopters and light aircraft have firmed, as has the general light aviation market-place. The day-to-day operations of this business are now run out of the same offices as Close Asset Finance, although the company retains its own identity and leading position within its specialist market.

Close Consumer Finance had a record year as volumes and rates of new and one-to-three year old cars were relatively buoyant. Over the last twelve months, two new business centres have been opened to cover Stoke and Darlington, bringing the total number of branches to seven and slightly widening our geographical concentration.

The establishment of these new branches, at a low point in the economic cycle, should provide considerable organic growth for the future.

In addition, in the second half of the year, we made an important move into the specialist market of financing the purchase of cars by British forces serving in Germany. This venture, which is run out of a new branch in Peterborough, shows early promise.

Credit Management

Century and **S. P. Business Finance**, which together specialise in recourse and non-recourse factoring as well as invoice discounting, had a satisfactory year, given that economic conditions for their smaller to medium-sized corporate clients were tough.

"Century had a satisfactory year . . . but many recession-scarred companies are still reluctant to borrow"

Although substantially fewer clients went out of business than in the previous year, recovery was patchy, with many recession-scarred businesses still being reluctant to borrow substantial funds.

We now have some 175 clients spread broadly over many different sectors. Given the greater understanding of the use of factoring or invoice discounting to finance working capital arising from increased turnover, we believe that volumes both from existing and new clients will rise significantly as general economic recovery takes hold.

Early signs of this have been emerging in recent months and we are increasing our marketing resources to catch this tide.

Business Advisory Services, our specialist industrial and commercial debt collection agency, had its first full financial year within the group and performed in line with expectations. During the year both the volume and quality of debt available for third party collection had reduced due to the generally difficult conditions resulting from the continuing effects of recession.

"BAS, our debt collection business, turned in a highly creditable performance . . . demonstrating resilience in a depressed market"

Despite this, BAS has turned in a highly creditable performance and has increased its client base, thus maintaining its overall revenues and demonstrating its resilience in a depressed market-place.

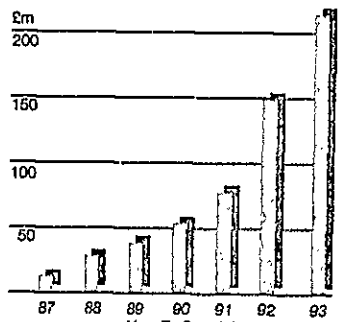
In preparation for economic recovery, new services and enhanced levels of customer care have been developed and significant improvements in computer systems have commenced which will generate substantial efficiency and productivity gains as throughput increases.

Insurance Premium Financing

PROMPT U.K. again made a significant and increased profit contribution and has continued its exceptional record of growth. The total value of insurance premiums financed increased by over 43% from last year to over £215 million.

Despite the disruption from the IRA bomb in April, the systems and organisation of the business were both expanded successfully to meet this demanding rate of growth. Control over arrears and bad debts was noticeably improved.

PROMPT U.K.
Premiums Financed



More than 2,750 insurance broker offices now regularly advise their corporate clients to spread the cost of their annual insurance premiums through the use of PROMPT. These now include virtually all of the largest firms in the U.K. Despite some competition coming into the market-place over the last two years, PROMPT U.K. continues to maintain its market leadership in this, for us, rapidly growing sector.

"PROMPT U.K. continued its exceptional record of growth . . . premiums financed increased by 43%"

We believe that at a time when insurance premiums are rising and companies want to keep their normal sources of borrowing free for working capital purposes, there will be continued growth of demand for PROMPT.

Prompt Finance Inc., in the U.S., had a year of transition, changing its business from small unit personal lines to larger unit commercial business. During the coming year we should start to see the fruits of this change of direction.

R D Kent
Group Managing Director

The directors present their report and the audited financial statements for the year ended 31st July, 1993.

Principal Activities

Close Brothers Group plc is the parent company of a group of companies engaged in merchant banking operations. The principal subsidiary companies as at 31st July, 1993 and their principal activities are listed in note 12 to these financial statements.

Results and Dividends

The consolidated results for the year are shown on page 15. The directors recommend a final dividend for 1993 of 7.8p (1992 — 6.5p) on each ordinary share which, together with the interim dividend of 3.2p, makes a total distribution for the year of 11.0p (1992 — 9.5p) per share. Movements on reserves are shown in note 7 to the financial statements.

Acquisitions

On 2nd April, 1993 the company acquired a 90.5% interest in Winterflood Securities Limited, one of the City's leading market-makers in stocks of medium to smaller companies, from The Union Discount Company of London p.l.c. for a total consideration of approximately £19.1 million.

Corporate Governance

The board of the company confirms compliance with the Code of Best Practice set out in the Report of the Committee on the Financial Aspects of Corporate Governance (the Cadbury Report) for the year ended 31st July, 1993 except for the provisions relating to the reporting by directors on internal control and going concern. The Code notes that companies will not be able to comply with these provisions until the necessary guidance has been developed as recommended in the Committee's report.

A summary of the relevant arrangements is given below.

Board responsibilities:

The board, which currently comprises five non-executive directors and four executive directors, meets regularly throughout the year (normally monthly) and deals with important aspects of the company's affairs including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources and reporting to shareholders. The board has appointed the following committees with the following memberships and terms of reference:

Audit Committee (non-executive chairman and all other non-executive directors)
To review the scope and findings of the company's auditors, to commission any additional investigation work, to ensure the adequacy of accounting controls and procedures.

Remuneration Committee (non-executive chairman, all other non-executive directors and the managing director).
To determine the remuneration of the executive directors and the senior executives of the group.

Nomination Committee (non-executive chairman, one non-executive director and one executive director).
To consider the appointment or retirement of directors, to review proposed nominations and make recommendations thereon to the board.

Statement of Responsibilities

Company law requires the directors 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 group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group 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 of the group and enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The auditors are required to form an independent opinion on the financial statements presented by the directors, based on their audit, and to report their opinion to the shareholders. The Companies Act 1985 also requires the auditors to report to shareholders if the following requirements are not met:

- that the company has maintained proper accounting records;
- that the financial statements are in agreement with the accounting records;

- that directors' emoluments and other transactions with directors are properly disclosed in the financial statements; and
- that the auditors have obtained all the information and explanations which, to the best of their knowledge and belief, are necessary for the purpose of their audit.

Share Capital

Details of changes in the company's ordinary share capital during the year are given in note 6 to the financial statements.

Premises and Equipment

Movements on premises and equipment are disclosed in note 13 to the financial statements.

Insurance

The company maintained directors and officers insurance cover during the year.

Substantial Interests

At 10th September, 1993 the following had notified the company that they were interested in 3 per cent. or more of the issued share capital of the company:

	Ordinary shares	%
Caledonia Investments PLC	10,236,814	23.23
The Prudential Assurance Company Limited	3,246,951	7.37
A. M. P. Nominees Limited	2,718,497	6.17
Sun Life Assurance PLC	2,525,642	5.73
Refuge Assurance PLC	2,457,142	5.58
Commercial Union Assurance Company plc	1,753,358	3.98
Sun Alliance & London Assurance Company Limited	1,580,144	3.59
Co-operative Insurance Society Limited	1,571,428	3.57
Equitable Life Assurance Society	1,407,142	3.19

Directors and Interests

(a) The present membership of the board is set out on page 2. Mr. A. H. Farley was appointed a director on 1st September, 1993.

(b) The directors' interests in the share capital of the company are shown below:

	Close Brothers Group plc ordinary shares	
	31st July, 1993	1st August, 1992
Beneficial interests:		
H. G. Ashton	5,714	5,000
Lord Denman	3,428	3,000
A. H. Farley	—	—
P. J. Gaynor	2,857	2,500
R. D. Kent	341,395	341,395
M. H. F. Morley	5,714	5,000
P. J. Stone	339,095	339,095
J. G. T. Thornton	208,617	105,469
P. L. Winkworth	282,467	280,767
Non-beneficial interests:		
R. D. Kent	19,000	19,000

Mr. J. G. T. Thornton is a director and minority shareholder in Close Investment Management Limited. His beneficial interest in the share capital of that company at 31st July, 1993 was 3,250 £1 deferred 'A' ordinary shares (1st August, 1992 — 3,250).

The interests of the directors have remained unchanged since 31st July, 1993.

The following directors hold options to subscribe for shares under the company's executive and senior bank executive share option schemes:

	31st July, 1993	1st August, 1992
R. D. Kent	821,492	813,934
P. J. Stone	806,351	798,934
J. G. T. Thornton	182,626	278,934
P. L. Winkworth	806,351	798,934

On 18th May, 1990 Caledonia Investments PLC granted to each of Messrs. Kent, Stone and Winkworth options over 150,000 shares which it holds in the company.

(c) In accordance with the provisions of the Articles of Association, Lord Denman and Mr. R. D. Kent retire by rotation. Mr. R. D. Kent being eligible, offers himself for re-election; Lord Denman will not offer himself for re-election. Mr. R. D. Kent has a service contract which can be terminated on twelve months' notice.

Mr. A. H. Farley, having been elected since the last Annual General Meeting, retires in accordance with the provisions of the Articles of Association and, being eligible, offers himself for re-election. Mr. A. H. Farley does not have a service contract with the company.

(d) 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 no shares.

Staff

The average number of persons employed by the group in the United Kingdom during the year was 390 and their remuneration amounted in aggregate to £15,816,000.

It is the group's policy to give appropriate consideration to applications for employment from disabled persons, having regard to their particular aptitudes. 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 employees.

Company Status

So far as the directors are aware the company is not a close company for taxation purposes.

Special Business at the Annual General Meeting

(a) Increase in Authorised Share Capital

The company's issued share capital increased during the year from £9.6 million to some £11.0 million. As a result, the company has less than £2.0 million of authorised share capital available for future issue. Therefore a resolution will be proposed at the Annual General Meeting to increase the company's authorised share capital from £13.0 million to £19.0 million by the creation of an additional 24.0 million ordinary shares of 25p each.

(b) Authority to Purchase Own Shares

At the last Annual General Meeting the company was given authority to make market purchases of up to approximately 10 per cent. of its issued share capital. This authority, which will expire at the conclusion of the Annual General Meeting, has not been used by the directors. Nevertheless your board considers it would be appropriate to renew the authority. Share purchases would only be made after the most careful consideration and where the directors believed that they were in the best interests of the company, taking into account other available investment opportunities and the overall financial position of the group. Accordingly, a special resolution will be proposed at the Annual General Meeting to authorise the company to purchase not more than 4,405,000 of its 25p ordinary shares, being approximately 10 per cent. of the issued share capital of the company.

The maximum price which may be paid will not be more than 5 per cent. above the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the ten business days before the purchase is made. 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 1994 Annual General Meeting. 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 Annual Report.

(c) Directors' Authority to Allot Shares

A resolution will be proposed at the Annual General Meeting to grant the directors authority to allot unissued shares of the company up to a nominal amount of £3,670,000. The authority will be limited to the whole of the company's authorised but unissued share capital at the time the resolution is passed (expected to be some £1.9 million) if the increase in authorised share capital described at (a) above is not approved. The authority, if granted, will last for a period of five years from the date of passing of the resolution.

(d) Waiver of Pre-emption Rights

It is proposed to renew, until the next Annual General Meeting, 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 £550,750 which represents approximately 5 per cent. of the issued share capital as at 31st July, 1993. The directors will 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 per cent. of the issued share capital should be allotted for cash on a non pre-emptive basis in any three year period.

(e) Adoption of Savings-Related Share Option Scheme

A resolution will be proposed at the Annual General Meeting to grant the directors authority to establish an Inland Revenue approved savings-related share option scheme. This scheme will supplement the two existing executive share option schemes and will provide all eligible U.K. employees with the opportunity to acquire shares in the company. Details of the proposed scheme are contained in the accompanying circular to shareholders.

Auditors

Touche Ross & Co. have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board
T. D. CANSICK *Secretary*

23rd September, 1993

Close Brothers

Auditors' Report to the Members of Close Brothers Group plc

We have audited the financial statements on pages 15 to 29 which have been prepared under the accounting policies set out on page 19.

Respective responsibilities of directors and auditors

As described on pages 11 and 12 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 of the state of affairs of the company and the group as at 31st July, 1993 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to banking companies and groups.

Touche Ross & Co.
Chartered Accountants
and Registered Auditors

Hill House, 1 Little New Street, London EC4A 3TR
23rd September, 1993

Auditors' Report on Corporate Governance to Close Brothers Group plc

We have reviewed the statement of compliance with the Code of Best Practice published by the Committee on the Financial Aspects of Corporate Governance set out on page 11 insofar as it relates to those provisions which are capable of objective verification as specified by paragraphs 1.4, 1.5, 2.3, 2.4, 3.1 to 3.3, 4.3 and 4.4 of the Code.

On the basis of the results of our review, in our opinion the statement of compliance with the Code of Best Practice has been prepared with due care.

Touche Ross & Co.
Chartered Accountants

Hill House, 1 Little New Street, London EC4A 3TR
23rd September, 1993

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st July, 1993

	Note	1993	1992
		£'000	£'000
Profit before taxation:	2		
Continuing operations		13,650	12,554
Acquisition		4,169	—
		17,819	12,554
Taxation	4	5,548	3,449
Profit after taxation		12,271	9,105
Minority interests		1,124	635
Profit attributable to shareholders		11,147	8,470
Dividends:			
Interim dividend 3.2p (1992—3.0p)		1,231	1,117
Proposed final dividend 7.8p (1992—6.5p)		3,437	2,500
		4,668	3,617
Retained profit for the year	7	6,479	4,853
Earnings per share	21	27.5p	22.5p

Close Brothers

CONSOLIDATED BALANCE SHEET

At 31st July, 1993

	Note	1993	1992
		£'000	£'000
Capital employed			
Share capital	6	11,015	9,616
Reserves	7	70,436	56,802
Shareholders' funds		81,451	66,418
Minority interests		4,218	2,641
Deferred taxation	3	3,308	2,037
		88,977	71,096
Current liabilities			
Current and deposit accounts		162,574	130,258
Bank loans and overdrafts		216,736	192,383
Security trading liabilities	9	67,373	—
Creditors		26,837	17,825
Taxation		8,910	2,472
Proposed dividend		3,437	2,500
		485,867	345,438
		574,844	416,534
Current assets			
Cash and short term funds	10	145,209	124,092
Security trading assets	9	81,508	—
Debtors and prepayments		10,282	9,502
		236,999	133,594
Advances			
Loans and advances	11	329,037	275,458
Fixed assets			
Investments	12	3,890	3,049
Premises and equipment	13	4,918	4,433
		574,844	416,534

Approved by the Board of Directors on 23rd September, 1993

H. G. Ashton
R. D. Kent } *Directors*

H. G. Ashton

COMPANY BALANCE SHEET

At 31st July, 1993

	Note	1993	1992
		£'000	£'000
Fixed assets			
Investments	12	44,159	29,636
Premises and equipment	13	90	154
		44,249	29,790
Current assets			
Debtors	14	36,004	28,645
Cash and short term funds		5,000	10,000
		41,004	38,645
Creditors: amounts falling due within one year	15	7,542	3,953
Net current assets		33,462	34,692
Total assets less current liabilities		77,711	64,482
Creditors: amounts falling due after more than one year	16	23,173	23,911
Deferred taxation	8	5	20
		54,533	40,551
Capital and reserves			
Share capital	6	11,015	9,616
Reserves	7	43,518	30,935
		54,533	40,551

Approved by the Board of Directors on 23rd September, 1993

H. G. Ashton
R. D. Kent
} *Directors*

H. G. Ashton

Close Brothers

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st July, 1993

	1993	1992
	£'000	£'000
Profit for the year	11,147	8,470
Net investment profit/(loss) for the year after taxation	459	(1,327)
Exchange adjustment	327	(173)
	11,933	6,970

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st July, 1993

	Note	1993		1992	
		£'000	£'000	£'000	£'000
Net cash inflow/(outflow) from operating activities	17(a)		26,279		(8,603)
Ordinary dividends paid			(3,731)		(3,351)
Corporation tax paid			(2,384)		(3,150)
Net cash outflow in respect of minorities			(212)		—
Purchase of tangible fixed assets		(1,700)		(1,296)	
Sale of tangible fixed assets		499		284	
		(1,201)		(1,012)	
Purchase of investments held as fixed assets		(478)		(350)	
Sale of investments held as fixed assets		126		1,301	
		(352)		951	
Purchase of subsidiary, net of cash acquired	17(c)	(14,296)		(3,984)	
Net cash outflow from investing activities			(15,849)		(4,045)
Net cash inflow/(outflow) before financing			4,103		(19,149)
Proceeds from issue of shares			17,014		44
Increase/(decrease) in cash and cash equivalents	17(d)		21,117		(19,105)

In the directors' view cash and cash equivalents are an integral part of the operating activities of the group, since they are a bank's stock in trade. Nevertheless as required by Financial Reporting Statement No. 1 cash and cash equivalents are not treated as cash flow from operating activities but are required to be shown separately in accordance with the format above.

1. Accounting Policies

(a) Banking format of financial statements
The company owns a subsidiary which is an authorised institution under the Banking Act 1987. Therefore the group financial statements have been prepared in compliance with Part VII Chapter II of the Companies Act 1985 and in accordance with applicable accounting standards.

(b) Accounting convention
The financial statements have been prepared under the historical cost convention, modified by the revaluation of investments (including market securities) and investment properties.

(c) Basis of consolidation
The group financial statements consolidate the financial statements of the company and all subsidiaries for all financial periods ended 31st July, 1993.

(d) Investments
Listed investments held as fixed assets are included in the balance sheet at middle market values on the balance sheet date and unlisted investments are included at directors' valuation.
Realised surpluses and losses on the group's investment portfolio held by Safeguard Investments plc, an investment company as defined by section 266 of the Companies Act 1985, are taken to the distributable reserves, and unrealised appreciation and depreciation through the unrealised investment reserve.
No account is taken of undistributed net profits or losses of companies in which the group's equity interests exceed 20 per cent. but form part of the group's investment portfolio.
Investments in group companies are stated at cost less provision for permanent diminution in value.
Listed investments held as current assets are stated at the lower of cost and market value and unlisted investments are stated at the lower of cost and directors' valuation.
Franked investment income is stated inclusive of the appropriate imputed tax credit.

(e) Securities trading business
The long and short positions in securities represent the aggregate of trading positions in individual securities arising respectively from a net bought and net sold position and are valued at the dealers' bid and offer prices respectively at the close of business on the balance sheet date.

(f) Loans and advances
Loans and advances are reviewed by the directors and stated net of provisions against doubtful debts.
Loans arranged against the security of blocked deposits are set off against those deposits in the balance sheet.
For subsidiaries engaged in debt factoring, advances are stated net of amounts due to clients.

(g) Finance leases and instalment finance
Finance leases are recognised as loans at the minimum lease payments receivable less finance charges.
Finance charges on both hire purchase obligations and leases are taken to income in proportion to the net funds invested after deducting, where applicable, a fixed percentage in respect of set-up costs.
Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the leases.

(h) Foreign exchange
Foreign currency deposits and advances are translated into sterling at the rates of exchange ruling at the balance sheet date. Translation differences are taken to the profit and loss account.
Differences on exchange arising from the translation of the opening net investment in the overseas subsidiary and from the translation of the results of that company at an average rate, are taken to reserves.

(i) Fee income
Fee income is taken to the profit and loss account when invoiced except for fees for certain monitoring and administrative services which accrue on a day to day basis and are invoiced in arrears.

(j) Goodwill
Goodwill arising on the acquisition of business assets, representing the excess of the purchase consideration over the fair value ascribed to the net tangible assets, is written off to reserves in the year of acquisition.

(k) Depreciation
The provision for depreciation on premises and equipment is calculated to write off the cost of fixed assets over their estimated useful lives by equal annual instalments as follows:—

Freehold buildings and long leasehold property	2.5%
Office machinery and furniture	10%—20%
Motor vehicles	25%
Short leasehold premises	over the length of the lease

No depreciation is provided in respect of freehold investment properties. Such properties are revalued annually by the directors and any adjustment below cost is transferred to the profit and loss account.

(l) Deferred taxation
Deferred taxation is provided in full in respect of unrealised appreciation of investments held at the year-end and material timing differences. Deferred taxation is provided at the anticipated rates of tax applicable to the periods when the taxation liability is expected to arise. A deferred asset is made where it is reasonably certain that tax losses can be recovered in future and they result from a non-recurring cause.

(m) Pensions
The cost of providing pensions is charged to the profit and loss account so as to spread the cost over the service lives of employees in the schemes.

2. Profit before taxation

	1993	1992
	£'000	£'000
The profit before taxation is stated after crediting:		
Income from investments:		
Franked		
Listed	22	21
Unlisted	78	137
Unfranked		
Unlisted	47	39
and after charging:		
Depreciation	1,124	854
Auditors' remuneration:		
Audit fees	207	173
Other fees	128	115
Directors' emoluments (note 3)	1,661	1,567
Interest on bank loans, overdrafts and deposits	23,382	28,725
Operating lease rentals payable	995	901

In accordance with paragraph 17(3) of Schedule 9 to the Companies Act 1985, turnover attributable to the business of banking services is not shown. Non-banking income totalled £1,303,000 (1992—£2,948,000).
Aggregate rentals received in respect of finance leases and hire purchase contracts amounted to £68,321,000 (1992—£69,621,000).
The directors are of the opinion that merchant banking activities account for over 90 per cent. of the group profits and net assets and therefore segmental reporting does not apply.

3. Information regarding directors

	1993	1992
	£'000	£'000
Directors' emoluments:		
Fees as directors	67	67
Salaries	924	865
Annual performance related payments	235	30
Other emoluments including pension contributions	435	605
	1,661	1,567

Annual performance related payments are awarded by the Remuneration Committee on a discretionary basis. Provision of £886,000 has also been made for long term performance related emoluments, which are partially discretionary and partially linked to upward movement in the company's shares over an extended period. These payments will not become payable, if at all, until a future date and would be included within the disclosed remuneration of directors when paid.

The emoluments of the chairman were £28,512 (1992—£28,298). The emoluments of the highest paid director comprised salary of £255,000 (1992—£245,000) annual performance related payments of £85,000 (1992—£8,000) and pension contributions and other benefits of £127,211 (1992—£184,133).

The number of other directors whose emoluments, excluding pension contributions, fell into the following categories were:

	1993	1992
£ 10,001–£ 15,000	3	3
£165,001–£170,000	—	1
£215,001–£220,000	1	—
£250,001–£255,000	—	2
£305,001–£310,000	2	—

4. Taxation

	1993	1992
	£'000	£'000
Corporation tax at 33% (1992—33%)	4,237	2,548
Tax deducted at source on franked investment income	14	38
Overseas taxation	14	103
Deferred taxation	1,327	844
Prior year adjustment	(44)	(84)
	5,548	3,449

The profit and loss account includes items which are not taxable.

5. Profit of parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the financial year, before dividends payable, amounted to £1,636,000 (1992—£3,022,000).

6. Share capital

	1993		1992	
	No. '000	£'000	No. '000	£'000
Authorised				
Ordinary shares of 25p each	52,000	13,000	52,000	13,000
Allotted, issued and fully paid				
At 1st August, 1992	38,465	9,616	37,243	9,311
Issued during the year	5,495	1,374	1,196	299
Exercise of options	99	25	26	6
At 31st July, 1993	44,059	11,015	38,465	9,616

During the year 5,495,027 ordinary shares were issued at 315p each as part of the consideration on the acquisition of Winterflood Securities Limited. In addition 80,898 ordinary shares were issued at 108.01p each and 18,000 ordinary shares were issued at 111.25p each following the exercise of options.

At 31st July, 1993 the following options to subscribe for ordinary shares had been granted under the executive and senior bank executive share option schemes:—

302,020 ordinary shares at 108.01p per share exercisable between 31st January, 1989 and 30th January, 1996; 262,448 ordinary shares at 111.25p per share exercisable between 24th October, 1989 and 23rd October, 1996; 70,650 ordinary shares at 217.98p per share exercisable between 2nd November, 1990 and 1st November, 1997; 656,031 ordinary shares at 217.98p per share exercisable between 2nd November, 1992 and 1st November, 1997; 26,746 ordinary shares at 180.33p per share exercisable between 11th October, 1991 and 10th October, 1998; 634,336 ordinary shares at 180.33p per share exercisable between 11th October, 1993 and 10th October, 1998; 1,514 ordinary shares at 247.70p per share exercisable between 20th October, 1992 and 19th October, 1999; 305,815 ordinary shares at 247.70p per share exercisable between 20th October, 1994 and 19th October, 1999; 5,046 ordinary shares at 229.87p per share exercisable between 16th October, 1993 and 15th October, 2000; 90,834 ordinary shares at 229.87p per share exercisable between 16th October, 1995 and 15th October, 2000; 2,048,846 ordinary shares at 213.02p per share exercisable between 22nd May, 1995 and 21st May, 2000.

7. Reserves

Group	Share premium account	Unrealised investment reserves	Distributable reserves	Total
	£'000	£'000	£'000	£'000
At 1st August, 1992	24,415	—	32,387	56,802
Shares issued for cash net of expenses	15,615	—	—	15,615
Retained profit for the year	—	—	6,479	6,479
Goodwill on acquisitions and investments in subsidiaries (note 12)	—	—	(9,246)	(9,246)
Exchange adjustment	—	—	327	327
Net investment profit for the year after tax	—	459	—	459
Transfer from unrealised to realised reserves	—	(459)	459	—
At 31st July, 1993	40,030	—	30,406	70,436

Company	Share premium account	Unrealised investment reserves	Distributable reserves	Total
	£'000	£'000	£'000	£'000
At 1st August, 1992	24,337	—	6,598	30,935
Retained loss for the year	—	—	(3,032)	(3,032)
Shares issued for cash net of expenses	15,615	—	—	15,615
At 31st July, 1993	39,952	—	3,566	43,518

Reconciliation of movement in shareholders' funds	1993	1992
	£'000	£'000
Profit for the financial year	11,147	8,470
Dividends	(4,668)	(3,617)
	6,479	4,853
Other recognised gains and losses relating to the year	786	(1,500)
New share capital subscribed net of expenses	17,014	2,973
Goodwill written off	(9,246)	(7,000)
Net addition/(reduction) to shareholders' funds	15,033	(674)
Opening shareholders' funds	66,418	67,092
Closing shareholders' funds	81,451	66,418

8. Deferred taxation

	1993	1992
Group	£'000	£'000
Capital allowances	3,825	2,387
Short term and other timing differences	481	483
Advance corporation tax recoverable	(998)	(833)
	3,308	2,037
Company		
Short term timing differences	12	80
Advance corporation tax recoverable	(7)	(60)
	5	20

Full provision has been made for deferred taxation since the timing differences may not continue in the future.

9. Security trading balances

	1993 £'000	1992 £'000
Security trading liabilities comprise:		
Market and client creditors	61,004	—
Short positions in securities	6,369	—
	67,373	—
Security trading assets comprise:		
Market and client debtors	66,641	—
Long positions in securities	10,456	—
Deposits with money brokers against stock borrowed	4,411	—
	81,508	—

10. Cash and short term funds

	1993 £'000	1992 £'000
Group		
Repayable:		
Within three months	144,709	114,092
After three months	500	10,000
	145,209	124,092

11. Loans and advances

	1993 £'000	1992 £'000
Loans and advances comprise:		
Loans and advances to customers	137,669	114,713
Hire purchase agreement receivables	140,946	120,616
Finance lease receivables	50,422	40,129
	329,037	275,458

Loans and advances are stated net of provisions.
The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £290,238,000 (1992—£240,569,000).

12. Investments held as fixed assets

	1993
Group	£'000
At 1st August, 1992 at valuation	3,049
Additions at cost	478
Additions from acquisition	30
Disposals at valuation	(126)
Unrealised surplus on revaluation	459
At 31st July, 1993 at valuation	3,890

(a) Investments are accounted for on the basis outlined in note 1(d) and comprise:

	1993	1993
	Historical cost	*Valuation*
	£'000	£'000
Listed investments	596	1,043
Unlisted investments	5,217	2,847
	5,813	3,890

(b) Statutory information relating to holdings in excess of 10 per cent. is shown in note 23.

	1993	1992
Company	£'000	£'000
Investments in direct subsidiaries:		
Business Advisory Services (Holdings) Limited	6,221	6,221
Close Brothers Holdings Limited	*526*	*526*
Close Brothers Trust Limited	4	4
Close Properties Limited	5,000	5,000
Safeguard Investments plc	17,885	17,885
Winterflood Securities Limited	14,523	—
	44,159	29,636

The company's principal subsidiaries at 31st July, 1993, all of which are registered in England and Wales and operate in Great Britain, with the exception of Prompt Finance Incorporated which is registered and operates in the United States of America, were:

Name of company	Principal activity	Percentage of equity held
Close Brothers Holdings Limited	Holding and investment company	100
Close Brothers Limited	City merchant banking	100
Air and General Finance Limited	Aircraft financing	100
Business Advisory Services (Holdings) Limited	Credit management and debt collection	99
Century Limited	Recourse debt factoring	96
Close Asset Finance Limited	Asset financing	87
Close Brothers Investment Limited	Business Expansion Scheme management	84
Close Consumer Finance Limited	Car financing	92
Close Investment Management Limited	Investment management	91
Prompt Finance Incorporated	Insurance premium financing	95
Safeguard Investments plc	Investment company	100
S.P. Business Finance (Europe) Limited	Non-recourse debt factoring	96
Winterflood Securities Limited	Market-making in U.K. stocks	87

On 2nd April, 1993 the group acquired 90.5 per cent of the issued ordinary share capital and the whole of the preference share capital and loan capital of Winterflood Securities Limited for a consideration including acquisition costs of £19,593,000.

The goodwill arising on the acquisition has been written off to reserves.

The book and fair value of the net assets were the same and comprised:

	£'000
Tangible fixed assets	403
Market and client debtors	65,943
Long positions in securities	9,099
Other debtors and assets	586
Cash at bank	5,366
Deposits with money brokers against stock borrowed	4,304
	85,701
Bank loans and overdrafts	69
Market and client creditors	61,960
Short positions in securities	6,179
Other creditors (including taxation and accruals)	6,487
	74,695
Net assets	11,006
Less: Minority interests	(568)
Net assets acquired	10,438
Consideration:	
Cash (including acquisition costs)	19,593
Goodwill on acquisition of Winterflood Securities Limited	9,155
Goodwill on movements in minority interests in subsidiaries	91
Goodwill transferred to reserves	9,246

In the period from the beginning of its financial year to the date of acquisition, Winterflood Securities Limited made a profit before taxation of £3,518,000 and during the previous financial period a profit before taxation of £4,417,000.

The cumulative goodwill written off to reserves is £17,331,000 (1992—£8,085,000).

13. Premises and equipment

	Land and buildings	Office machinery and furniture	Motor vehicles	Total
Group	£'000	£'000	£'000	£'000
Cost or valuation				
At 1st August, 1992	2,439	2,908	1,887	7,234
Subsidiary acquired	—	1,899	304	2,203
Additions	111	532	1,057	1,700
Disposals	—	(38)	(900)	(938)
Exchange adjustment	18	72	4	94
Revaluation	(50)	—	—	(50)
At 31st July, 1993	2,518	5,373	2,352	10,243
Depreciation				
At 1st August, 1992	376	1,654	771	2,801
Subsidiary acquired	—	1,637	163	1,800
Charge for the year	113	498	513	1,124
Disposals	—	(17)	(396)	(413)
Exchange adjustment	—	13	—	13
At 31st July, 1993	489	3,785	1,051	5,325
Net book value at 31st July, 1993	2,029	1,588	1,301	4,918
Net book value at 31st July, 1992	2,063	1,254	1,116	4,433
Company				
Cost				
At 1st August, 1992	358	—	—	358
Additions	4	—	—	4
At 31st July, 1993	362	—	—	362
Depreciation				
At 1st August, 1992	204	—	—	204
Charge for the year	68	—	—	68
At 31st July, 1993	272	—	—	272
Net book value at 31st July, 1993	90	—	—	90
Net book value at 31st July, 1992	154	—	—	154

The net book value of land and buildings comprises:

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Investment properties at valuation:				
Freehold	815	865	—	—
Other properties at cost:				
Freehold	683	701	—	—
Long leasehold	216	222	—	—
Short leasehold	315	275	90	154
	2,029	2,063	90	154

Freehold investment properties were valued on an investment basis by the directors on the 31st July, 1993. The historical cost of such properties was £865,000.

14. Debtors

Company	1993 £'000	1992 £'000
Amounts falling due within one year:		
Amounts owed by subsidiaries	16,589	9,800
Prepayments and accrued income	68	277
Advance corporation tax recoverable	1,356	795
	18,013	10,872
Amounts falling due after one year:		
Long term loans to subsidiaries (see below)	17,000	17,000
Advance corporation tax recoverable	991	773
	17,991	17,773
	36,004	28,645

The long term loans to subsidiaries are interest-free and have no fixed repayment dates.

15. Creditors: Amounts falling due within one year

Company	1993 £'000	1992 £'000
Taxation and social security	1,295	962
Amounts owed to subsidiaries	1,197	219
Accruals and deferred income	1,613	272
Proposed dividend	3,437	2,500
	7,542	3,953

16. Creditors: Amounts falling due after more than one year

Company	1993 £'000	1992 £'000
Loan from subsidiary	23,173	23,911

The loan is interest-free and carries no fixed repayment date.

17. Cash flow	1993	1992
	£'000	£'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities		
Operating profit	17,819	12,554
Decrease/(increase) in interest receivable and prepaid expenses	338	(1,621)
Increase in interest payable and accrued expenses	6,573	576
Net increase in security trading assets	(2,928)	—
Depreciation and loss on disposal of fixed assets	1,150	853
Net cash flow from trading activities	22,952	12,362
Net increase/(decrease) in current and deposit accounts	32,316	(9,600)
Net increase in loans and advances	(53,579)	(36,857)
Net increase in bank loans and overdrafts	24,353	25,960
Non cash movements	237	(468)
Net cash inflow/(outflow) from operating activities	26,279	(8,603)
(b) Analysis of changes in financing		
Share capital (including premium):		
At 1st August, 1992	34,031	31,058
Shares issued for cash	17,014	44
Shares issued for a non-cash consideration	—	2,929
At 31st July, 1993	51,045	34,031
(c) Analysis of the net outflow of cash and cash equivalents in respect of the purchase of a subsidiary		
Cash consideration	(19,593)	(4,308)
Cash at bank and in hand acquired	5,366	324
Bank overdraft acquired	(69)	—
	(14,296)	(3,984)
(d) Analysis of changes in cash and short term funds		
At 1st August, 1992	124,092	143,197
Net increase/(decrease) in cash and cash equivalents	21,117	(19,105)
At 31st July, 1993	145,209	124,092

18. Contingent liabilities

The company has given guarantees in respect of subsidiaries' bank facilities amounting to £213,813,000 (1992—£176,727,000).

In addition there are group contingent liabilities in respect of guarantees arising in the normal course of business amounting to £534,000 (1992—£1,180,000). Of this amount £534,000 (1992—£1,180,000) is recoverable from other parties.

The company or, where relevant, Close Brothers Limited is committed to purchase on demand all minority shareholdings in its subsidiaries at an agreed fair valuation at varying dates in the period to October, 2003.

19. Pensions

The group operates a defined contribution and a defined benefit pension scheme for directors and employees respectively and in addition a subsidiary operates its own defined benefit scheme. Assets of all schemes are held separately from those of the group.

The pension charge for the period was £1,074,000 (1992—£1,046,000). Included in creditors is £Nil (1992—£11,000) in respect of the defined contribution scheme.

Contributions of the group defined benefit scheme are determined by an independent qualified actuary based on triennial valuations using the aggregate cost method. The most recent actuarial valuation was at 1st July, 1991, when the market value of the assets of this scheme was £1,395,565 representing 95% of the benefits accrued to members allowing for future earnings increases. Future contributions to be made by the company under actuarial advice will meet all pension obligations. A 1% per annum differential between investment returns and salary increases, and a 3% per annum increase to pensions in payment, are assumed.

20. Commitments

At 31st July, 1993, subsidiaries had commitments relating to capital expenditure of £161,000 (1992—£164,000).

Annual commitments under non-cancellable operating leases at 31st July, 1993, were as follows:

	Premises
Expiring:	£'000
Within one year	7
Within two to five years	447
After five years	659
	1,113

21. Earnings per share

The calculation of earnings per share is based on profit after taxation of £11,147,000 (1992—£8,470,000) and on 40,542,931 ordinary shares being the weighted average number of shares in issue during the year (1992—37,673,782 shares adjusted for the open offer and placing completed on 1st April, 1993).

22. Transactions with directors

Close Brothers Limited (an authorised institution under the Banking Act 1987) has made loans and overdraft facilities to certain directors of the company on normal commercial terms. The aggregate amount outstanding at 31st July, 1993 in respect of such loans was £28,527 (1992—£48,930) and the number of directors was 4 (1992—4).

During the year Safeguard Investments plc paid a management fee to Close Investment Management Limited of £42,189 (1992—£65,000). A director, Mr. J. G. T. Thornton, is also a minority shareholder in Close Investment Management Limited.

None of the other directors had an interest in any contracts entered into by the company during the year.

23. Additional information on investments

The group has a 10% or more interest in the equity share capital of Crown Industrial Group Limited and System Offices Group Limited, both of which are incorporated in Great Britain.

Close Brothers

PRINCIPAL OPERATING COMPANIES

City Merchant Banking

Close Brothers Limited
Commercial Lending
Corporate Finance
Treasury

36 Great St. Helen's
London EC3A 6AP
Telephone: 071-283 2241
Fax: 071-623 9699
Telex: 8814274

Executive Directors:
C. D. Keogh — Chief Executive
S. R. Hodges — Managing
T. D. Cansick
J. A. B. Kelly
H. A. Lloyd
D. C. Pusinelli
P. H. Reeve
P. N. Williamson

Senior Management:
M. I. Dack
M. J. Darroch-Thompson
J. McTaggart
M. Napier
M. H. Orkin — *Treasurer*

Investment Management

Close Investment Management Limited
Development Capital

36 Great St. Helen's
London EC3A 6AP
Telephone: 071-600 4960
Fax: 071-638 5624

Executive Directors:
J. G. T. Thornton — Managing
N. MacNay
J. T. Snook

Senior Management:
W. E. Davis
N. J. Murphy
S. R. Wildig

Close Brothers Investment Limited
BES and EZT Management

107 Cheapside
London EC2B 6DT
Telephone: 071-600 4960
Fax: 071-638 6005

Executive Directors:
C. V. Reader — Managing
P. D. Roscrow

Senior Management:
N. A. Cook
T. F. Heaton
D. E. Sherman

Market-Making

Winterflood Securities Limited
Market-making in Stocks of Medium to Smaller Companies

Knollys House
47 Mark Lane
London EC3R 7QH
Telephone: 071-621 0004
Fax: 071-623 9482

Executive Directors:
B. M. Winterflood — Managing
D. W. Codd
M. A. Hines
D. J. Macnamara
J. S. Palfreyman
G. P. Russell

Senior Management:
N. D. Feeny

Asset Finance

Close Asset Finance Limited
Asset Financing

Tolworth Tower, Ewell Road
Tolworth, Surbiton
Surrey KT6 7EL
Telephone: 081-390 8201
Fax: 081-390 6168

Executive Directors:
D. G. Hardisty — Managing
M. Booker
I. McDonald
N. G. Poxon
R. H. Stone

Senior Management:
P. E. Curtis
N. T. Hamilton
K. F. Spratt

Air and General Finance Limited
Aircraft Financing

Tolworth Tower, Ewell Road
Tolworth, Surbiton
Surrey KT6 7EL
Telephone: 081-390 9444
Fax: 081-390 8211

Executive Director:
V. L. Cannock — Chairman

Senior Management:
R. P. Kearsey
A. F. Smith

Close Consumer Finance Limited
Car Financing

Brittannia House
70/72 Silver Street
Doncaster DN1 1HT
Telephone: 0302 738822
Fax: 0302 760399

Executive Directors:
J. Lewis — Managing
S. P. Wozniak

Credit Management

Century Limited
Recourse Debt Factoring

Southbrook House
25 Bartholomew Street
Newbury RG14 5LL
Telephone: 0635 31517
Fax: 0635 31703

Executive Directors:
L. M. Bland — Managing
L. P. Newsome

Senior Management:
Ms S. Harsant
R. A. Walker

S. P. Business Finance (Europe) Limited
Non-Recourse Debt Factoring

Edge House
42 Bond Street
Brighton
East Sussex BN1 1SE
Telephone: 0273 321177
Fax: 0273 326914

Executive Director:
J. M. Yates — Managing

Senior Management:
M. J. Klein
Ms J. E. Seymour

Business Advisory Services (Holdings) Limited
Credit Management/Debt Collection

Longley Hall
Longley Lane
Sheffield S5 7FB
Telephone: 0742 426628
Fax: 0742 561793

Executive Directors:
R. Mountain — Managing
R. Brown
M. R. Smith

Senior Management:
P. L. Butt
D. D. McQuin

Insurance Premium Financing

PROMPT

36 Great St. Helen's
London EC3A 6AP
Telephone: 071-623 0610
Fax: 071-626 3003

Senior Management:
P. J. Stone — Director in charge
S. R. Robinson — General Manager

Prompt Finance Inc.

30 Monument Square
P.O. Box 308
Concord MA 01742 U.S.A.
Telephone: 0101 508 369 8078
Fax: 0101 508 371 7134

Executive Directors:
E. N. Wickfield — President
Ms L. W. Willingham — Vice President

Senior Management:
M. E. Stryczek

Close Brothers

ADDITIONAL INFORMATION

Calendar

Annual General Meeting	21st October, 1993
Payment of final dividend	29th October, 1993
Announcement of interim results	Early March, 1994
Payment of interim dividend	Mid April, 1994
Announcement of final results	Late September, 1994

Capital Gains Tax

For the purposes of Capital Gains Tax the market value of the company's shares at 31st March, 1982, adjusted to take account of subsequent share issues, was 50.03p.

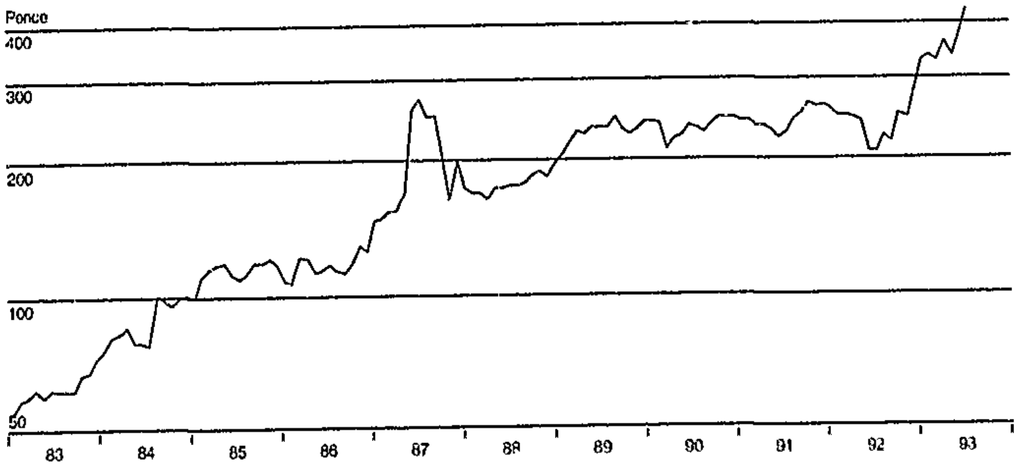
Registrars

Independent Registrars Group Limited
Broseley House
Newlands Drive, Witham
Essex CM8 2UL
Telephone: 0376 515755
Fax: 0376 510609

Company Communication

Registered Office: 36 Great St. Helen's
London EC3A 6AP
Telephone: 071-283 2241
Fax: 071-623 9699
Telex: 8814274
Company No. 520241

Share Price



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