Company Number 520241

Close Brothers

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Annual Report 2000

Close Brothers

PROFILE

Close Brothers Group plc is an independent merchant banking group listed on the London Stock Exchange. Founded in the City of London over 120 years ago, Close Brothers is now amongst the 200 largest companies by market capitalisation listed on the London Stock Exchange and employs over 1,400 people.

The group's major shareholders are large financial investors including investment groups, nominee companies and pension funds. The group's management and staff also have significant holdings directly, through share ownership schemes and through option schemes. Some management also have minority interests in certain subsidiaries. In addition, over 2,000 private individuals hold shares in the group.

Close Brothers' strategy is to provide a diverse range of specialist services where we believe we can offer added value to our clients as a result of our particular expertise. Close Brothers is dedicated to developing continuity in its relationships with clients through excellent service, objective advice and uncompromising professionalism.

We have concentrated on building up a balanced mix of activities in the financial sector and our aim is to deliver to our shareholders a consistent and, over time, increasing stream of profits and dividends. Close Brothers' profits have shown unbroken growth over each of the last 25 years.

Close Brothers' activities comprise:

- City Merchant Banking
  - Corporate Finance
  - Banking
  - Asset Management
- Asset Finance
- Market-Making

HIGHLIGHTS

			2000	1999
Profit before taxation, exceptional costs and goodwill amortisation	**up 103%**	to	**£155.1m**	£76.3m
Earnings per share before exceptional costs and goodwill amortisation	**up 85%**	to	**77.8p**	42.1p
Profit before taxation	**up 90%**	to	**£144.8m**	£76.3m
Earnings per share	**up 71%**	to	**71.9p**	42.1p
Dividends per share	**up 56%**	to	**25.0p**	16.0p
Total assets	**up 55%**	to	**£2.6bn**	£1.7bn

DIRECTORS AND ADVISERS

Directors of Close Brothers Group plc

Executive Directors

R.D. Kent, M.B.A., Managing Director, aged 53, joined Close Brothers in 1974 having started his City career with Schroders. He was a partner in the management buy-out of Close Brothers in 1979. He is also non-executive chairman of Grosvenor Limited.

P.L. Winkworth, F.C.A., A.T.I.I., aged 52, was employed by KPMG and then in the corporate finance department of Barings, before joining Close Brothers in 1977. He was a partner in the management buy-out of Close Brothers in 1979.

D.G. Hardisty, aged 57, joined Close Brothers in 1987 having previously been employed by British Credit Trust and North West Securities.

S.R. Hodges, Barrister, aged 46, joined Close Brothers in 1985 having previously been employed as a banker by Hambros.

C.D. Keogh, M.B.A., Barrister, A.T.I.I., aged 47, joined Close Brothers in 1985 having previously been employed by Saudi International Bank and, before that, Arthur Andersen.

B.M. Winterflood, M.S.I.Dip., aged 63, worked for many years for Bisgood Bishop and was joint managing director when it was acquired by County NatWest Securities in 1986. In 1988 he founded Winterflood Securities, which was acquired by Close Brothers in 1993.

E.J. Llewellyn-Lloyd, Barrister, aged 41, joined Close Brothers in 1996 as chief executive of corporate finance, on the acquisition of Hill Samuel's corporate finance business.

Secretary

R.D. Sellers, A.C.A.

Auditors

Deloitte & Touche (Holding Company).

Ernst & Young (Authorised Institution).

Solicitors

Freshfields Bruckhaus Deringer.

Stockbrokers

UBS Warburg.

Non-Executive Directors

Sir David Scholey, C.B.E., Chairman, aged 65, was previously the chairman of the SG Warburg Group. His current directorships include Anglo American plc, Vodafone Group plc and The Chubb Corporation.

P.N. Buckley, C.A., aged 58, is the chairman and chief executive of Caledonia Investments plc, which has a 19% shareholding in the group. He is also chairman of English & Scottish Investors p.l.c. His other directorships include Offshore Logistics, Inc., Sun International Hotels Limited and The Telegraph Group Limited.

Lord Cobbold, D.L., F.C.T., aged 63, has specialised in treasury operations and money management, working successively for 3i, BP and TSB/Hill Samuel. He manages the family business at Knebworth House.

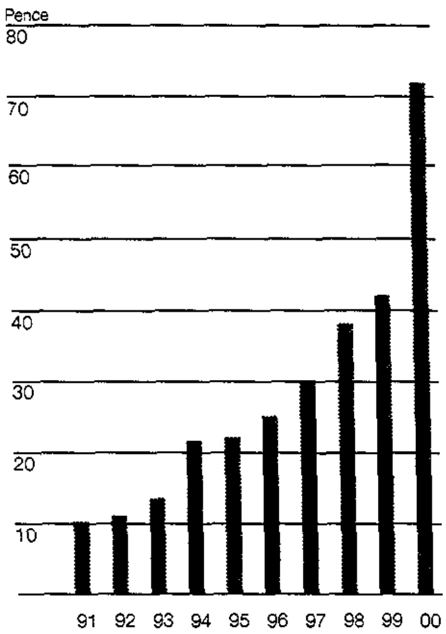
A.H. Farley, Solicitor, aged 54, is one of the founding partners of City solicitors, Watson, Farley and Williams. He is also a non-executive director of Stirling Shipping Company Limited.

P.S. Wilmot-Sitwell, aged 65, became the senior partner of Rowe and Pitman in 1982. Following the merger with SG Warburg, he became chairman of SG Warburg Securities and vice chairman of the SG Warburg Group until his retirement in 1994. He is chairman of Mercury World Mining Trust plc and a director of Anglo American plc.

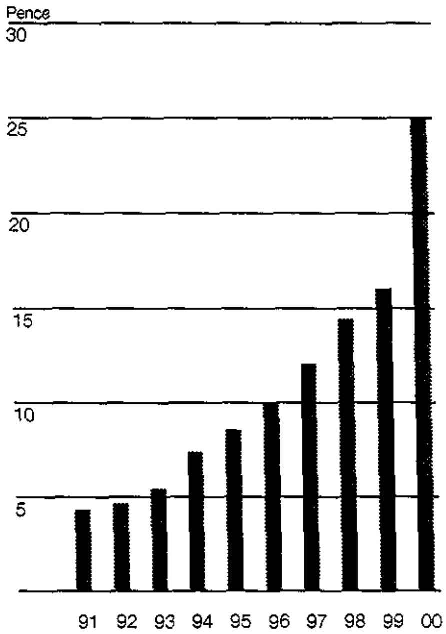
Adviser to the Board

Lord Denman, C.B.E., M.C., aged 84, was previously a director of Consolidated Gold Fields, The British Bank of the Middle East, The Saudi British Bank (Riyadh), Marine & General Mutual Life and Fletcher Challenge of New Zealand. He was appointed a non-executive director of Close Brothers Limited in 1977 and retired from the board in 1993.

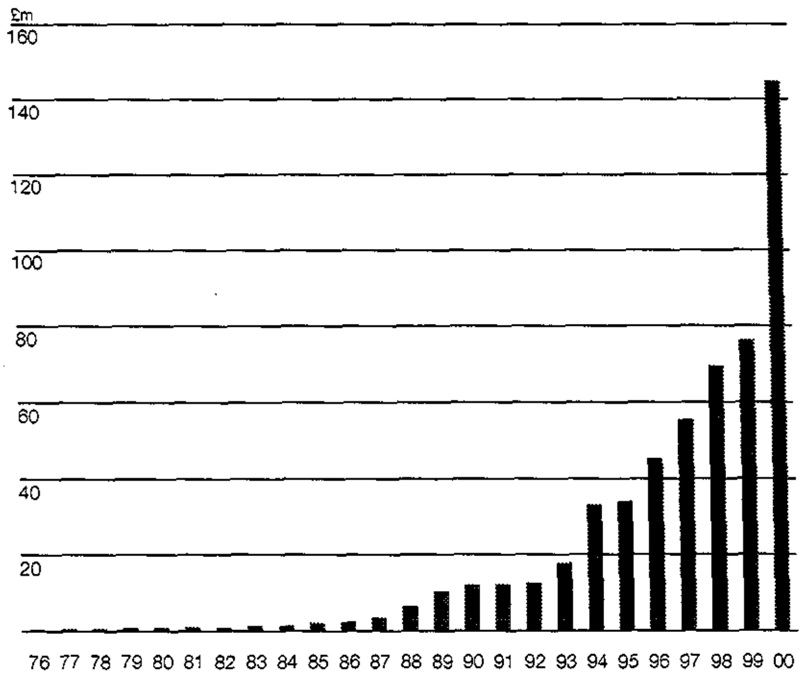
HISTORICAL TRENDS



Group earnings per share



Group dividends per share



Group profit before tax

The profit figures are stated as required by Financial Reporting Standard No. 3 and have been taken from the audited financial statements and, prior to 1984, those of Safeguard and Close Brothers have been adjusted to be coterminous.

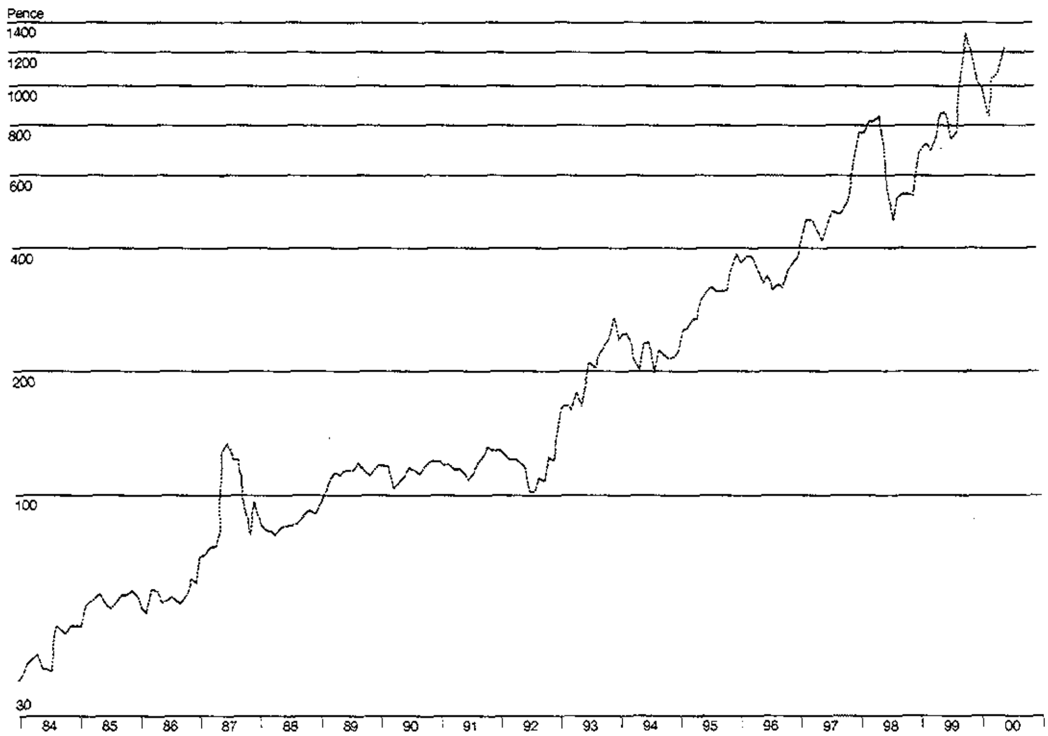
Close Brothers

HISTORICAL TRENDS

Five Year Financial Summary

		1996	1997	1998	1999	2000
Operating income	£m	102.6	133.7	166.3	185.6	383.1
Profit before taxation, exceptional costs and goodwill amortisation	£m	45.1	55.4	69.6	76.3	155.1
Earnings per share before exceptional costs and goodwill amortisation	p	25.2	30.1	38.2	42.1	77.8
Profit before taxation	£m	45.1	55.4	69.6	76.3	144.8
Profit attributable to shareholders	£m	28.7	36.1	46.2	50.9	95.2
Earnings per share	p	25.2	30.1	38.2	42.1	71.9
Dividends per share	p	10.0	12.0	14.4	16.0	25.0
Total assets	£m	1,072.6	1,371.4	1,645.0	1,701.7	2,644.8
Average number of employees		584	665	792	909	1,365

Share Price



OVERVIEW

The year ended 31st July, 2000 showed excellent growth and produced another record set of results. Our Market-Making division, Winterflood Securities, performed remarkably, mainly due to the high level of activity in small to medium sized UK stocks. This result should not overshadow the overall growth achieved in the rest of our business where operating profits grew by over 31 per cent. with notable performances from our Corporate Finance and Asset Management activities.

These results represent our 25th consecutive year of increasing profits which have grown in excess of 25 per cent. per annum compound over that period — an outstanding record.

RESULTS

The operating profit on ordinary activities before taxation, exceptional costs and goodwill amortisation increased from £76.3 million last year to £155.1 million, and earnings per share, on the same basis, increased by 85 per cent. from 42.1p to 77.8p.

After deducting a charge for exceptional costs of £8.0 million (1999 – £Nil), which relate mainly to the reorganisation of Rea Brothers Group, and goodwill amortisation of £2.3 million (1999 – £Nil), the operating profit on ordinary activities before taxation was £144.8 million (1999 – £76.3 million), and earnings per share, on the same basis, increased by 71 per cent. from 42.1p to 71.9p.

The board is recommending a final dividend of 17p per share which, together with the interim dividend, gives a total dividend for the year of 25p per share (1999 – 16p). This represents an increase of 56 per cent. over last year's total dividend per share and is covered some three times.

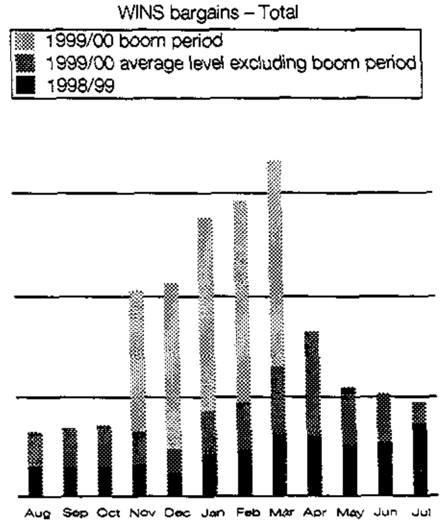
TRADING

The year was dominated by the exceptional increase in the revenues and profits of our Market-Making division, Winterflood Securities ("WINS"). This core business is one of the leading market-makers in small to medium sized stocks in the UK, and its profits are largely influenced by the number of bargains transacted in this sector of the market. This year there has been a marked step-change in such bargain activity, which has been caused, we believe, by the greater amount of information available to private clients and the easier access provided by the execution-only brokers. Average bargain levels for WINS over the past year, other than the five boom months referred to below, were some 100 per cent. above the comparable period last year.

On top of this buoyant position, WINS experienced a quite exceptional increase in trading activity in its sector of the market between November 1999 and March 2000. Total volumes of business during this boom period were some three times the level which would have been achieved at the average growth rate of the remainder of the year.

The chart below demonstrates the exceptionally high levels of bargains during this five month period. We estimate that this period gave rise to additional profits in WINS of approximately £50 million.

WINS bargains – Total



We are now entering another period of structural change in the European securities markets and, whilst the overall direction towards more international and pan-European markets seems reasonably clear, the precise steps for getting to the objective are very uncertain and we are playing our part in this debate. Amidst this confusion, WINS is well placed and has continuing opportunities for further growth. These are covered in more detail in the Operational Review.

Our **Corporate Finance** activity has built up a strong position in the UK middle market continuing to focus on technology/media/telecommunications, business services, leisure and manufacturing. We have broadened the sources of revenue by expanding our UK debt advisory group and establishing a private placement capability.

We have also increased the international scope of our operations. In Europe, we are seeking to extend our middle market position into France and Germany, and have increased our holding in Dôme Close Brothers S.A. to 50 per cent. Last month we were joined by an experienced team specialising in the Middle Eastern region and we have strengthened our network of associates in other overseas markets, including a fee-sharing and staff-exchanging arrangement with Houlihan Lokey Howard & Zukin in the United States.

The new year has started with a strong business pipeline.

Our **Asset Management** activity, which is building up a series of specialised fund management businesses, has now emerged as an important and rapidly growing profit centre for the group. With the purchase and successful integration of Rea Brothers last year and the substantial profits growth from our other investment businesses, this activity is completely transformed from a year ago.

Our long established businesses in private equity and tax sheltered products both achieved a good performance, and our quant-based team launched the successful Close FTSE techMARK Fund last autumn and has further new products in the pipeline. We are now managing some top performing Investment Trusts, particularly technology based trusts under the Close Finsbury name and the Close Beacon fund which invests in AIM-listed companies.

Our offshore private client operations, based in Guernsey, Isle of Man and Geneva, also made strong progress and our onshore wealth management service is progressing well through its start-up phase.

Our **Banking** activity had a good year. On our Treasury side the level of deposits almost doubled as a result of our acquisition of Rea Brothers and continued organic growth. Our debt factoring and credit management operations both increased profits in line with ambitious plans. PROMPT, our insurance premium financing business, also performed well, as did our property lending operation, the latter being bolstered by the acquisition of Granville Bank. The outlook for these businesses is positive.

Our **Asset Finance** division had mixed fortunes. The commercial side, which includes financing for printing equipment, contractor's plant and commercial vehicles, encountered a difficult patchy market although growth was picking up in the last quarter. In our consumer car finance company, profits fell as a result of the structural changes in the pricing of new cars in the UK. There are now signs that the worst of this situation in the car market may be past. At Warrior, a specialist provider of financial services to the Armed Forces which we purchased last October we are tackling, as signposted earlier, inherited problems. This process will continue for the next six months. The prospects appear distinctly brighter for the asset finance division next year.

OUTLOOK

Whilst we are proud to celebrate 25 years of unbroken profit growth at a compound rate of 25 per cent. per annum under the same leadership, we are not complacent about the future. Each new year presents its own separate challenge. It is unlikely that the hectic stock market conditions seen for five months of our last financial year will recur this year, but leaving the effect of that on one side, the new year has started well and we see continuing organic growth ahead. Close Brothers has a robust and clear strategy, a proven and well supported management team and the motivation to achieve its goals.

Sir David Scholey
Chairman

FINANCIAL REVIEW

The mix of the group's operating income has changed significantly this year compared to the previous two years. This is as a result of the sharp increase in the stock market trading volumes in smaller company and AIM listed stocks between November and March. As reflected below, this resulted in net dealing income growing sharply as a proportion of our overall net income, masking the excellent growth in our other income streams:

	1998	1999	2000
	%	%	%
Net interest income	34	32	20
Net fee income	31	31	25
Net dealing income	33	36	53
Other income	2	1	2

We have continued to keep control of costs, the largest element of which, for us, is staff costs. Although administrative expenses increased slightly as a proportion of operating income, they still compare favourably with our peer group. As the mix of our business changes, with greater emphasis coming from less capital intensive fee earning activities, so we would expect the expense income ratio to rise somewhat. In addition, this year's expense income ratio reflects the absorption and reorganisation of our new acquisitions, particularly Rea Brothers and Warrior.

	1998	1999	2000
Administrative expenses excluding exceptional costs	£85.8m	£97.7m	£209.7m
Administrative expenses excluding exceptional costs as % of operating income	51.6%	52.7%	54.8%
Average number of staff during the period	792	909	1,365
Pre-tax profit per average number of staff	£88,000	£84,000	£106,000

An important measure of overall group performance is the return on capital. This can be calculated as shown below:

	1998	1999	2000
Pre-tax profit/average shareholders' funds	33.8%	33.8%	45.7%
Pre-tax profit/average shareholders' funds and accumulated goodwill	26.0%	25.1%	36.3%

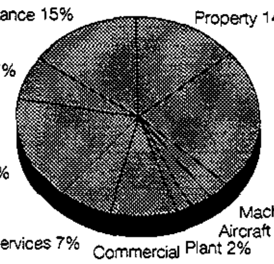
The group remains well capitalised and soundly financed. The consolidated Risk Asset Ratio remains comfortably high at 23.1 per cent. (1999 — 27.3 per cent.).

Our customer deposits almost doubled during the period. This increase was caused partly by the acquisition of Rea Brothers, but also by the continuing organic growth of our existing deposit base and the maintenance of our good credit rating. As in previous years our customer loans and advances remain able to be financed by the bank's capital and reserves and term banking facilities. Term facilities amounted to some £851 million of which only £537 million were drawn at the year end. We continued our long established policy of broadly matching interest rate liabilities, whereby we swap variable rate financing into fixed rate, particularly in regard to our asset finance book.

We have minimal currency exposure, since the vast majority of our activities is transacted in sterling. Any non-sterling financing is funded by liabilities in the relevant currency or swapped into sterling to hedge currency exposure. Most of the group's activities are located in the UK. Since any currency exposure resulting from our investment in overseas subsidiaries is currently relatively small, the extent to which the group's consolidated balance sheet is affected by movements in exchange rates is consequently small.

Our loan book remains well spread, both by type of asset over which we take security and by number of loans.

Analysis of Group Loan Portfolio



The loan book represents over 131,000 separate advances, only seven of which exceed £2 million, the largest being £6.5 million.

Each of our operations, most of which are separate corporate entities, is responsible for its own liquidity within specified guidelines. Each is properly capitalised for its own business (normally comfortably above the regulatory minimum) and, where necessary, has formal facilities from the group, the bank or external lenders. The liquidity of each operation is reviewed at its monthly local board meeting and the overall position is reviewed by the group, assisted by treasury.

Risk Management

Credit, market and reputational risks are also inherent in many of our businesses. Since each of our main operations is financed and managed separately and there is little or no integration of systems, management or customers, risk management is carried out by each local management, overseen on a regular basis by senior group management.

Credit risk is controlled by a number of local credit committees within centrally set limits of authority. For transactions above such limits, there is a group credit committee. In general terms, the group avoids the risk of multiple exposure to one counterparty – for example, we do not normally lend to a corporate finance advisory client, nor does one lending subsidiary seek to lend to clients of another lending subsidiary.

Market risk mainly relates to Winterflood Securities, our market-making subsidiary. We maintain real-time controls on the size and risk profile of the overall equity book and of individual books within this. There are also controls supplemented by cash limits on individual large and slow moving equities and gilts positions. The senior management of WINS is closely involved in this risk management process, which is also regularly monitored at group level. The group's exposures to market price risk resulting from trading activities of WINS are shown in note 28 on page 40.

Our corporate finance activity involves reputational risk. This is controlled and monitored by either a new business committee or a risk committee, in which senior management of both corporate finance and group participate. Underwriting risk is decided upon and monitored by a specific committee of the bank, which includes group directors who are not directly involved in corporate finance.

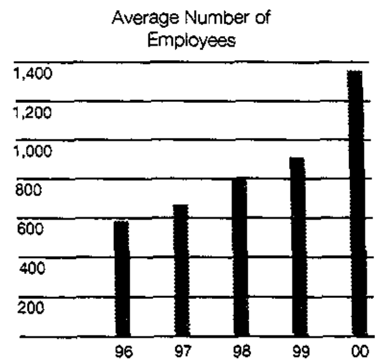
Our treasury operations do not actively trade in money market instruments, since these are normally bought and held to maturity. Nor do we trade speculatively in derivatives as a principal. Counterparties with whom we place deposits are monitored by the treasury committee, which establishes specific limits.

As a financial institution, every transaction we undertake, either on behalf of our customers or for ourselves, involves financial instruments. We have described above our long standing policies to manage the risks inherent in these instruments. The group's capital and reserves are necessarily subject to interest rate fluctuations and as a matter of policy these are not hedged as reflected in the interest rate repricing table shown in note 24 on page 36. We have an established internal audit and compliance unit.

OPERATIONAL REVIEW

Overview

The year ended 31st July, 2000 represented the 25th consecutive year of upward profit progression for the group. This has been a year of considerable expansion for the group. For example, capital employed, balance sheet footings, customer deposits, loans to customers and number of employees, all of which are key indicators, have grown substantially. Nevertheless we remain conservatively financed and we retain a firm control on costs, a high proportion of which remain variable.



The past year has been an outstandingly successful one for our market-making division. As a result, its proportion of our group operating profit before central costs increased from 44 per cent. to 65 per cent. A substantial contributor to this division's success was the short term stock market boom either side of the new year, which we estimate gave rise to nearly 50 per cent. of this division's profits.

With the exception of some parts of our asset finance business, where market conditions were difficult, the rest of our business also had a highly successful year. The city merchant banking division showed profits growth of some 84 per cent. although with the surge in market-making its overall proportion of total operating profit before central costs fell from 28 per cent. to 25 per cent. Each part of this division continued to develop strategically and bedded down the development initiatives of the previous year.

Our asset management activity has come of age and is now making a significant contribution, and corporate finance has increased its international reach.

City Merchant Banking

Corporate Finance

Corporate Finance had an excellent year with a particularly strong first half. In the UK we have consolidated our position as the market leader to mid-market growth companies. During the year we acted on over 60 transactions with a value in excess of £4.4 billion and in calendar year 1999 we were involved in a greater number of UK public takeovers than any other merchant bank.

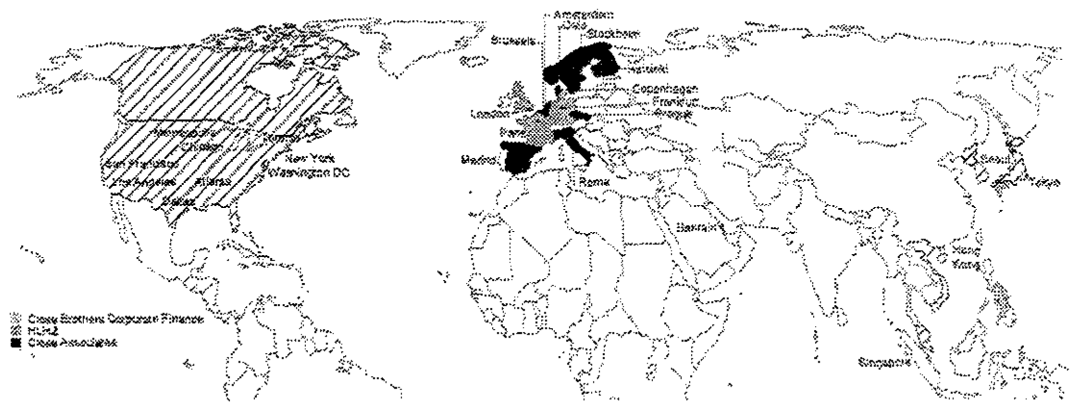
In Continental Europe our development has increased momentum and this year over 15 per cent. of our income came from our French and German businesses, a substantial increase over last year. Of particular note was our 50 per cent. investment in Dôme Close Brothers, which had an exceptional year and which is rapidly establishing a strong market position in advice to growth companies in France.

Our Debt Advisory Group had a sparkling year and has now advised on the raising of over £2 billion of debt finance. We have now established a restructuring team to complement this group.

More widely in Europe, our Close Associates network has performed strongly and has been expanded to include Scandinavia and the Czech Republic. Together with our own businesses in France and Germany we are now able to offer clients a unique blend of local expertise and pan-European reach.

The year also saw a major development in the US with our announcement in February of an exclusive relationship with Houlihan Lokey Howard & Zukin ("HLHZ"), who have offices across North America and in the Far East. We now have people seconded full-time to HLHZ in New York and a reciprocal HLHZ team based in London. Significant incremental business is already being developed.

Corporate Finance — Office locations



We have also strengthened our emphasis on companies in the technology/media/ telecommunications, leisure and entertainment, business services and manufacturing sectors. A large proportion of our client base is experiencing significant growth and we are now able to offer them a full "lifecycle" service ranging from early stage capital to mergers and acquisitions advice.

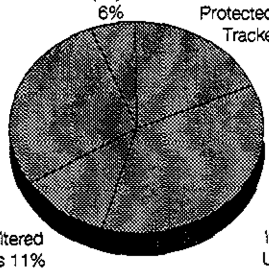
Since the year end we have taken on a team specialising in the Middle East region.

Asset Management

Our asset management activity, now trading as Close Investments, had a busy and successful year. This activity experienced good organic growth in all its investment management businesses, launched several innovative and specialist investment products and made a significant contribution to group profits. The acquisition and integration of Rea Brothers has been a great success.

Funds under management grew substantially and, boosted by the Rea Brothers acquisition, ended the year at £2.6 billion (1999–£0.8 billion).

Funds Under Management



Close Investments now focuses on six main areas:

- specialist investment and unit trusts
- specialist index tracker funds and protected unit trusts
- private equity funds
- specialist tax and property based investment management
- private client portfolio management
- offshore activities, including asset management and trust and company administration.

Our range of specialist investment trusts managed by Close Finsbury had an excellent year with particularly strong performances from the Finsbury Technology, Finsbury Worldwide Pharmaceutical and Finsbury Life Sciences Investment Trusts, which were the top three trusts in the one year Micropal performance ratings for international capital growth. We also successfully launched the Close Finsbury EuroTech Trust.

The Close Beacon Investment Fund, which specialises in AIM investments, continued its excellent performance and ended the year as the top performing fund in the smaller company sector over one, three and five years.

The highlight for our specialist investment fund business, Close Fund Management, was the launch of the Close FTSE techMARK Fund. This fund was launched in November 1999 to track the new FTSE techMARK 100 Index and raised over £150 million in the year. The two new innovative FTSE Index tracking split funds, the Close FTSE 100 Trust and the Close FTSE 100 Income and Growth Trust, performed as expected and our Escalator range of protected unit trusts had a solid year.

Our private equity business had a record year with a number of key realisations (including Oxford Aviation for £55 million) and some exciting new investments (including Aurigny, the Channel Islands airline, and the bulk chemicals business, United Transport International). We also raised a new £50 million fund for our Growth Capital business and we have recently launched our Millennium Private Equity Fund which is being well received.

Our specialist tax and property based investment management businesses have performed well. We are the UK's leading EIS manager with over £50 million under management in the specialist areas of pubs, TV production and, most recently, our technology feeder fund, The First Close Technology Fund.

Following the acquisition of Rea Brothers, our private client activity now encompasses onshore and offshore services.

Close Wealth Management, which we launched last year, continued to progress well through its start-up phase and had a pleasing inflow of new funds. We also saw good growth from our more bespoke service to the higher end of the market.

Our offshore operations based in Guernsey and the Isle of Man have both continued to flourish. Cash deposits and equity funds under management both increased, as did the trust management and fund administration operations. Our new Geneva based trust management company has got off to a flying start.

Since the year end we have acquired a controlling shareholding in Reabourne Limited, the highly successful specialist technology fund manager and investment adviser.

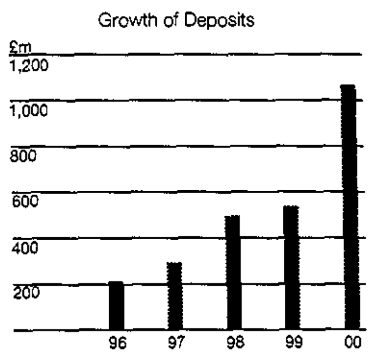
Our asset management activity is now emerging as an important part of our group. We believe that we can create further significant gowth by concentrating on specialist areas of fund management, rather than building a wide range of generalist products.

Banking

Our banking activity comprises treasury, property lending, insurance premium finance, debt factoring, credit management and residential mortgage arranging. Each of these businesses generated increased profits during the year.

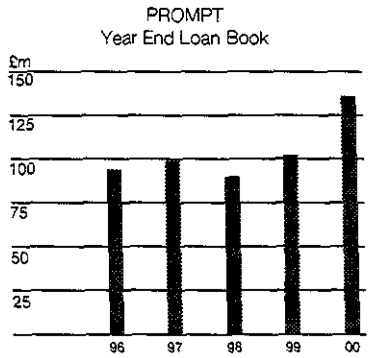
The highlight of the year for our property lending business was the acquisition of Granville Bank Limited. This has been fully integrated with our City-based businesses and its niche in smaller property loans complements our existing activity. The experienced Granville team, who share our conservative but flexible approach to this specialist operation, quickly settled in and have seen a significant increase in business enquiries since their move. The combined operation was lending in excess of £115 million at the year end secured across a wide range of projects throughout the UK.

Our treasury operation had another record year and our customer deposits almost doubled over the year, to over £1 billion. This includes some £387 million of deposits from our new offshore private banking subsidiaries in Guernsey and the Isle of Man, both of which have seen significant growth since their acquisition.



During the year we put in place a number of new committed facilities, both for the bank and the group, including a further tranche of subordinated debt within the bank which qualifies as regulatory capital and has a minimum term of 15 years. Our conservative approach to both gearing and liquidity has been maintained.

Our insurance premium financing business, PROMPT, had an extremely busy year with total premiums financed increasing by 33 per cent. This growth arose both from new business won, which included a number of significant contracts, and from the increase in the average commercial premium financed, as insurance rates started to harden. In addition, we moved the operation from the City to new offices in Tolworth; we steadily grew our new personal lines product; we acquired the business of a small competitor; and we launched i-PROMPT, an Internet based service for insurance brokers. This investment in people, premises and technology should enable PROMPT to grow strongly and profitably over the next few years.



Close Invoice Finance, our debt factoring business, had another year of growth with the total number of clients increasing by 13 per cent. to over 550. The business continued to focus on a well spread portfolio of clients and receivables, avoiding large single exposures or concentrations of risk. We also improved our service to clients through the use of technology, particularly Internet based, and through an emphasis on customer-focussed operating procedures.

Close Credit Management, our debt collection operation, had its best year since our acquisition of the business in 1992, and entered the new year with a growing pipeline. A highlight of the year was the launch of Close Assistance, which is a specialist credit management service for the motor industry.

Mortgage Intelligence had its first full year of profitable trading. Its mortgage broking network significantly expanded, and the volume of mortgages arranged grew to nearly £500 million per annum. This makes us one of the largest mortgage brokers in the UK.

Market-Making

Winterflood Securities ("WINS") has had an outstanding year. Dealing income improved from £67 million to £204 million and profits from £36 million to £109 million. Four principal factors caused this growth:

- the continued broadening of our business
- a step-change in the general activity of retail investors
- the increase in bargains executed electronically
- the Stock Market boom from November 1999 to March 2000

The broadening of WINS' business continued apace during the year. Stocks and instruments traded increased from about 1,600 to some 1,800. A key development was the commencement of trading of European smaller company and technology stocks in October 1999. This activity quickly expanded to encompass retail parcels of popular major stocks in France, Germany, Spain and Italy, where trades can be executed in a hard currency of the clients' choice.

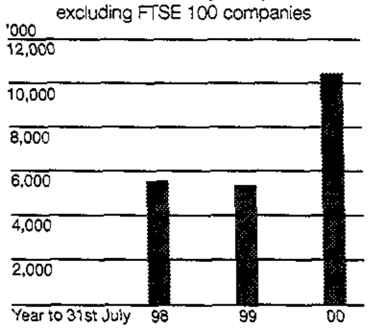
Towards the end of the financial period we expanded our retail fixed interest dealing to cover major international gilts, corporate bonds, preference shares and PIBs. This activity is building upon our now firmly established retail trading of UK gilts, where we are now the market leader.

1999 saw a marked, and we believe sustainable, increase in general activity in the LSE, particularly in smaller companies. Bargain volume in the LSE market (excluding the FTSE 100 stocks) in the past year has increased by broadly 45 per cent., other than the five boom months referred to below. This step-change appears to have arisen as a result of the ease for private clients of access to both information and to dealing, the latter springing from the rise of the execution-only brokers and capabilities of the Internet.

As a consequence the proportion of bargains that we booked through automatic execution, as compared to those booked by telephone, continued to increase markedly.

The fourth element of growth last year resulted from a particular boom in the Stock Market from November 1999 to March 2000 inclusive. During this five month period, bargain activity was running some three times above the otherwise average level for the remainder of the year. This resulted from growing retail investor interest in smaller companies and was fuelled by spectacular activity in technology and Internet stocks. We estimate that this exceptional boom contributed some £50 million of additional profits over and above those of our underlying trading.

London Stock Exchange bargain totals excluding FTSE 100 companies



Whatever combination of national markets emerges from the current debate, the alignment of dealing technology, liquidity, clearance and settlement will be key to London's continued success – in which WINS will assuredly play a leading role for small and medium sized companies.

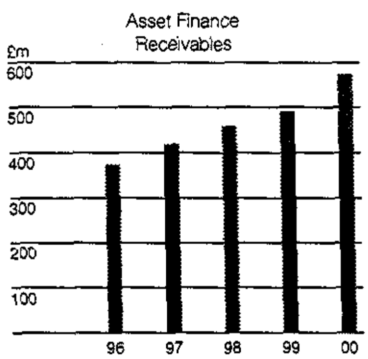
Looking to the current period, our service to clients will be further expanded when we commence retail dealing in selected US stocks, on both the NYSE and NASDAQ exchanges, before the end of the year.

Asset Finance

Our asset finance division consists of three operations – commercial asset finance, consumer finance, and Warrior, our specialist finance company providing services to the Armed Forces.

Our commercial asset finance business had a year of consolidation. Receivables grew somewhat although the contribution to profits declined marginally as investment was made in new start-ups, which will enable the business to grow further in the next few years. The core activity remains the finance of Heidelberg printing machines. In this sector, the first half of the year was unexciting, but the second half showed a progressive improvement in sentiment and trading. The percentage of non-printing business continued to grow and now represents 64 per cent. of this business (1999 — 61 per cent.).

We took two important new initiatives during the year. We established a new team in Ellesmere Port concentrating on the finance of machine tools, and by the year end they were generating a significant amount of new business. More recently we have also set up a new healthcare division which will be providing finance to dentists, opticians and veterinary practices, as well as looking at the NHS trust market.



Close Consumer Finance, which concentrates on the finance of used cars, had a difficult year and its pre-tax profits reduced from £4.2 million to £0.8 million. The uncertainty caused by the fall in new car prices led to both a decrease of new business in used cars and a sharp reduction in the value of used cars. This, in turn, gave rise to higher bad debts. To counteract this difficult market we streamlined our branch network and strengthened our management team. The worst conditions in the used car market have passed and we remain confident that this business will return to a satisfactory growth pattern, once the structural changes in the UK market have worked through.

During the year we acquired a majority stake in Warrior which provides finance to the Armed Forces. Our 20 per cent. partner in this company is the NAAFI. We have used the past year, as planned, to reorganise the business. Funding and loan administration, both of which were outsourced, have been progressively brought in-house and this will give us the ability to control and manage the business properly. We anticipate that the reorganisation will continue for the remainder of the present calendar year. Thereafter we will be able to implement our plans to expand the range of our services to our customer base and the business will make a proper contribution to the group.

OUTLOOK

The past twelve months have been challenging in some parts of our business and outstandingly successful in others, notably market-making. We believe we have in place the essential building blocks and management for the continuing organic growth in the shape and profitability of our deliberately diverse businesses. We remain confident for the future.

R. D. Kent
Managing Director

The directors present their report and the audited financial statements for the year ended 31st July, 2000.

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, 2000 and their principal activities are listed in note 29 to these financial statements. A detailed review of current and future developments is presented in the Review of Activities.

Results and Dividends

The consolidated results for the year are shown on page 21. The directors recommend a final dividend for 2000 of 17.0p (1999 – 10.7p) on each ordinary share which, together with the interim dividend of 8.0p (1999 – 5.3p), makes a total distribution for the year of 25.0p (1999 — 16.0p) per share.

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 judgements and estimates that are reasonable and prudent; and
- state whether all applicable accounting standards have been followed.

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 which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Share Capital

Details of changes in the company's ordinary share capital during the year are given in note 20 to these financial statements.

Substantial Interests

At 8th September, 2000 the following had notified the company that they were interested in 3% or more of the issued share capital of the company:

	Ordinary shares	%
Caledonia Investments plc	25,450,000	18.84
Prudential Corporation plc	11,598,021	8.59
Royal & SunAlliance Insurance Group plc	5,601,710	4.15
The Standard Life Assurance Company	4,922,322	3.64

Directors and Interests

(a) The present members of the board are set out on page 2, all of whom served throughout the year. The late Mr. M.H.F. Morley was a director until 20th October, 1999.

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

	Ordinary shares	
	31st July, 2000	1st August, 1999
P.N. Buckley*	—	—
Lord Cobbold	4,800	4,800
A.H. Farley	9,800	4,800
D.G. Hardisty	9,846	8,772
S.R. Hodges	331,479	245,041
R.D.Kent	497,422	571,348
C.D. Keogh	303,274	259,230
E.J. Llewellyn-Lloyd	10,004	4,385
Sir David Scholey	10,000	5,000
P.S. Wilmot-Sitwell	10,000	10,000
P.L. Winkworth	512,061	531,100
B.M. Winterflood	4,772	18,360

*Mr. P.N. Buckley is chairman and chief executive of Caledonia Investments plc which has an interest in 25,450,000 ordinary shares of the company at 31st July, 2000 (1st August, 1999 — 25,450,000).

Mr. B.M. Winterflood is a director and minority shareholder in Winterflood Securities Limited. At 31st July, 2000 he and his family were beneficially interested in 28,333 10p ordinary shares of that company (1st August, 1999 — 25,000). In addition he holds options over 3,333 10p ordinary shares in that company at an exercise price of £51.00 per share (1st August, 1999 — 6,666 at £51.00 per share).

Details of the options to subscribe for shares held by the directors under the company's sharesave and executive share option schemes are given in note 3 to these financial statements. The interests of the directors have remained unchanged since 31st July, 2000.

(c) In accordance with the provisions of the Articles of Association, Mr. P.N. Buckley, Mr. D.G. Hardisty, Mr. C.D. Keogh and Mr. B.M. Winterflood retire by rotation and, being eligible, offer themselves for re-election. Mr. D.G. Hardisty, Mr. C.D. Keogh and Mr. B.M. Winterflood have service contracts which can be terminated on not more than twelve months' notice. Mr. P.N. Buckley is a non-executive director who does not have a service contract.

(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 1,530,233 shares in the company, 422,257 of which are conditionally earmarked for deferred bonuses. This trust acquired these shares at an average cost of 384p per share compared to a market value of 1045p per share at 31st July, 2000. Dividends have been waived on these shares.

Staff

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.

Charitable Contributions

Contributions made during the year for charitable purposes amounted to £171,000 (1999 — £30,000).

Suppliers' Payments Policy

All banking, market-making and investment transactions are settled in accordance with relevant terms and conditions of business. All other approved expenses are generally paid within 45 days of the invoice date. Average creditor days are 26 (1999 — 26).

The Environment

Group companies whose operations have the potential for environmental impact regularly monitor, maintain and improve their environmental performance. These companies seek to ensure compliance with applicable legislation, optimise use of energy and raw materials, reduce emissions or pollutants which could be detrimental to the environment and reduce waste through process improvement, reuse and recycling.

Special Business at the Annual General Meeting

(a) Authority to Purchase Own Shares

At the last Annual General Meeting the company was given authority to make market purchases of up to approximately 15% of its issued share capital. This authority, which will expire at the conclusion of the 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 where the directors believed that they were in the best interests of the company and they would enhance earnings per share, taking into account other available investment opportunities and the overall financial position of the group. Accordingly, a special resolution will be proposed at the Annual General Meeting to authorise the company to purchase not more than 20,255,000 of its 25p ordinary shares, being approximately 15% of the issued share capital of the company.

The maximum price which may be paid will not be more than 5% above the average of the middle market quotations for the ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. 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 eighteen months from the date the special resolution is passed and the date of the 2001 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 2001 Annual Report.

(b) 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 £11,253,000. The authority, if granted, will last for a period of five years from the date of passing of the resolution.

(c) 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 £1,687,000 which represents approximately 5% of the issued share capital. 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% of the issued share capital should be allotted for cash on a non pre-emptive basis in any rolling three year period.

(d) Articles of Association

It is proposed to adopt new Articles of Association at the Annual General Meeting. Since the directors are proposing a large number of changes to the existing Articles, to take account of a number of developments in law and practice applicable to companies since the current Articles were adopted in 1995, it is more appropriate to adopt new Articles, rather than amend the existing ones.

A circular to shareholders will be sent with the Notice of Annual General Meeting containing a summary of principal changes proposed and the reasons for these changes.

Auditors

Deloitte & Touche 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
R.D. SELLERS *Secretary*
28th September, 2000

CORPORATE GOVERNANCE

The Combined Code was issued by the Committee on Corporate Governance in June, 1998 following which The Listing Rules of the Financial Services Authority were revised to require listed companies to disclose how they comply with the Combined Code. Together with relevant information contained in the Report of the Board on Directors' Remuneration on pages 17 to 19 and the Report of the Directors on pages 14 and 15, this statement explains how Close Brothers Group plc has applied the principles of good governance contained in Section 1 of the Combined Code for the year ended 31st July, 2000.

Board responsibilities

The board currently comprises seven executive directors and five non-executive directors, four of whom are considered to be independent. The senior independent director is Mr. P.S. Wilmot-Sitwell. Mr. P.N. Buckley is considered by the Combined Code not to be independent in that he represents the interests of Caledonia Investments plc, which has the largest shareholding in the company. The board is supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties and meets regularly throughout the year (normally monthly) to deal with important aspects of the group's affairs, including setting and monitoring strategy, reviewing performance, ensuring adequate financial resources and reporting to shareholders. The chairman is responsible for the running of the board and the managing director is responsible for the running of the company's business which ensures a clear division of responsibility at the head of the company. All directors have direct access to the advice and services of the company secretary and outside professional advisers as necessary.

The board has appointed the following committees with the following memberships and terms of reference:

Audit Committee (Lord Cobbold (chairman), Mr. P.N. Buckley and Mr. A.H. Farley (non-executive directors)).

To review the scope and findings of the company's internal and external auditors, to commission any additional investigation work, to review the adequacy of controls and procedures throughout the group including reputational, financial, operational and compliance controls and risk management and to consider the form and content of published announcements and statutory accounts.

Remuneration Committee (Sir David Scholey (chairman), Mr. P.N. Buckley and Mr. P.S. Wilmot-Sitwell (non-executive directors)).

To recommend for determination by the non-executive directors, the remuneration of the executive directors and the senior executives of the group.

Nomination Committee (Sir David Scholey (chairman), Mr. P.N. Buckley and Mr. P.S. Wilmot-Sitwell (non- executive directors) and Mr. R.D. Kent (an executive director)).

To consider the appointment or retirement of directors, to review proposed nominations and make recommendations thereon to the board.

Internal Control

The company has complied with provision D.2.1 of the Combined Code and adopted the transitional approach permitted by The Listing Rules of the Financial Services Authority on internal control by conducting a review of and reporting on internal financial control up to the date of the approval of these financial statements. In addition the group already has in place well established and regularly monitored procedures which will enable the board to implement, and confirm compliance with, the Turnbull Committee guidance for directors for the year ending 31st July, 2001.

Internal Financial Control

The board has overall responsibility for the group's system of internal financial control. Such systems provide reasonable, but not absolute, assurance against material misstatement or loss. The board has reviewed the effectiveness of the group's system of internal financial control.

Financial reports are presented to the board monthly, detailing results, variances and trends compared to budget and to prior years. Each operating company in the group maintains financial controls and procedures appropriate to its own business environment. Annually, each company undertakes a review of, and reports to its board on, these controls and procedures, having due regard to its key business and financial risks.

Group control periodically reviews controls and procedures established in each company to manage operational, financial and compliance risks. The head of group control reports through the audit committee to the board, to which he has unrestricted access through the chairman.

A well established organisational structure exists with clearly defined levels of responsibility and delegation of authority which supports a strong control culture embedded in the day to day management of each operating company.

Going concern basis

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

Compliance with the Combined Code

Except as detailed below, the company has complied with Section 1 of the Combined Code throughout the accounting period.

The Remuneration Committee consists exclusively of non-executive directors. One member, Mr. P.N. Buckley, is held under the Combined Code not to be independent for the reasons stated above, but the board considers his membership appropriate.

Constitution of the Remuneration Committee

The Remuneration Committee, which was established by the board in 1993, recommends for determination by the non-executive directors, the remuneration and other terms and conditions of employment of the executive directors and the senior executives of the group.

The chairman of the Committee is Sir David Scholey. Other members are Mr. P.N. Buckley and Mr. P.S. Wilmot-Sitwell, both non-executive directors. The group managing director, Mr. R.D. Kent, attends meetings on invitation.

Policy on senior executive remuneration

General principles

The Committee aims to ensure that the senior executive remuneration arrangements are fair and competitive within the financial sector and that they will enable the group to retain, motivate and attract key personnel.

Advice is taken from external consultants on comparative data and other relevant aspects of compensation of senior group executives.

Main components

Basic salary

Basic salaries are reviewed annually, having regard to individual responsibilities and performance and also to comparative information.

Annual discretionary bonus

Annual bonuses are at the discretion of the Committee. In some instances they are based upon a bonus pool in an individual operating company but for most executive directors they are determined in the light of the individual's performance, his contribution to the profitability of the operating company or function, as appropriate, and of the profitability of the group, both overall and in relation to its competitors.

Benefits

The group provides senior management with healthcare, prolonged disability and life assurance cover. It also provides a company car or payment in lieu.

Long-term incentives

The group has for a number of years operated a number of long-term incentive arrangements. These include the 1995 Executive Share Option Scheme, which replaced the 1985 Executive Share Option Scheme, under which grants of performance-related options are made over a number of years; Inland Revenue approved Savings Related Share Option and Profit Sharing Schemes; and local minority interests in operating subsidiaries.

Details of directors' share options are shown in note 3 on page 26.

Pensions

Messrs. R.D. Kent and P.L. Winkworth participate in a defined contribution scheme. Messrs. D.G. Hardisty, S.R. Hodges and C.D. Keogh participate in a defined benefits scheme, under which the normal pensionable age is 65, the pension at normal pensionable age is two-thirds of final pensionable salary subject to completion of 30 years' service and there is a widow's pension on death. The table on page 19 summarises accrued benefits for directors who participated in the defined benefits scheme. Mr. E.J. Llewellyn-Lloyd participates in a defined contribution scheme. Mr. B.M. Winterflood participated in a defined benefits scheme but is no longer a participant having reached the scheme's pensionable age; he now participates in a defined contribution scheme.

Directors' service contracts

Directors' service contracts are terminable on no more than twelve months' notice. Non-executive directors do not have service contracts but are engaged under a letter of appointment for terms not exceeding three years.

Non-executive directors

Fees of all non-executive directors are set by the board in accordance with the Articles of Association (without the participation of the non-executive directors themselves).

External appointments

All fees earned by executive directors in respect of non-executive directorships are taken into account in determining their remuneration.

Directors' remuneration

The following table shows a breakdown of the remuneration of individual directors for the year ended 31st July, 2000:

	Salaries and fees £'000	Benefits £'000	Performance related payments in respect of current year £'000	Performance related payments in respect of earlier years £'000	Total £'000	Company pension contributions £'000
Executive:						
D.G. Hardisty	250	14	250	—	514	36
S.R. Hodges	250	12	375	—	637	36
R.D. Kent	350	9	525	—	884	82
C.D. Keogh	250	11	375	—	636	36
E.J. Llewellyn-Lloyd	210	9	315	—	534	21
P.L. Winkworth	315	14	472	157	958	74
B.M. Winterflood	265	20	3,165	—	3,450	72
Non-executive:						
P.N. Buckley	27	—	—	—	27	—
Lord Cobbold	27	—	—	—	27	—
A.H. Farley	27	—	—	—	27	—
M.H.F. Morley	19	—	—	—	19	—
Sir David Scholey	102	—	—	—	102	—
P.S. Wilmot-Sitwell	27	—	—	—	27	—
	2,119	89	5,477	157	7,842	357

The following table shows a breakdown of the remuneration of individual directors for the year ended 31st July, 1999:

	Salaries and fees £'000	Benefits £'000	Performance related payments in respect of current year £'000	Performance related payments in respect of earlier years £'000	Total £'000	Company pension contributions £'000
Executive:						
D.G. Hardisty	235	23	200	—	458	34
S.R. Hodges	235	8	235	—	478	34
R.D. Kent	330	8	330	—	668	77
C.D. Keogh	235	9	235	—	479	34
E.J. Llewellyn-Lloyd	185	20	185	—	390	19
J.G.T. Thornton	8	—	—	—	8	2
P.L. Winkworth	300	13	300	—	613	70
B.M. Winterflood	250	20	996	—	1,266	61
Non-executive:						
P.N. Buckley	27	—	—	—	27	—
Lord Cobbold	27	—	—	—	27	—
A.H. Farley	27	—	—	—	27	—
M.H.F. Morley	75	—	—	—	75	—
Sir David Scholey	11	—	—	—	11	—
P.S. Wilmot-Sitwell	27	—	—	—	27	—
	1,972	101	2,481	—	4,554	331

In respect of the year ended **31st July, 2000:**

Performance related payments in respect of the current year include allocations under Inland Revenue approved profit related pay and profit sharing schemes and also include amounts awarded by the Remuneration Committee on a discretionary basis.

Performance related payments in respect of earlier years relate to deferred bonuses which have previously been disclosed and for which provisions have been made.

Messrs. R.D. Kent, and P.L. Winkworth were awarded a deferred bonus of respectively £800,000 and £238,800 in cash due in September, 2002. In addition Messrs. S.R. Hodges, C.D. Keogh, E.J. Llewellyn-Lloyd and P.L. Winkworth were awarded a deferred bonus of the right to call for respectively 21,887, 21,887, 27,724, and 40,000 shares in the company from the employee benefit trust, at nil cost, at any time, at their option, between 1st August, 2002 and 1st August, 2007. These entitlements will lapse if they leave employment in certain circumstances prior to 31st July, 2002.

A provision of £2,472,000 (1999 — £1,165,000) has been made for these deferred bonus entitlements. All deferred bonuses will be included in the directors' disclosed remuneration when paid and will not then result in a material charge to the profit and loss account.

Deferred bonuses awarded in respect of prior years were disclosed in the accounts of those years, in respect of which, Messrs. D.G. Hardisty, S.R. Hodges, R.D. Kent, C.D. Keogh, E.J. Llewellyn-Lloyd and P.L. Winkworth have the right to call for respectively 21,459, 32,188, 21,499, 21,459, 41,962 and 64,377 shares in the company from the employee benefit trust, at nil cost, at any time, at their option, between varying dates from 1st August, 2000 to 1st August, 2005.

Directors' pension entitlements

The following table summarises pension benefits for all directors who participate in a defined benefit scheme. The accrued pension is that which would be paid annually on retirement based on service to the end of the year. The increase in accrued pension during the year excludes any increase for inflation. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GNII less directors' contributions. Participants of the defined benefit scheme have the option of paying Additional Voluntary Contributions; neither the contributions nor the resulting benefits are included in the table below:

	Accrued annual pension at 31st July, 2000 £'000	Increase in accrued annual pension in the year £'000	Transfer value of increase in accrued annual pension £'000
D.G. Hardisty	62	8	60
S.R. Hodges	68	11	63
C.D. Keogh	65	13	82

Auditors' Report to the Members of Close Brothers Group plc

We have audited the financial statements on pages 21 to 45, which have been prepared under the accounting policies set out on page 25.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 14, preparation of the financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the UK Listing Authority and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement on page 16 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the UK Listing Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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, 2000 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
and Registered Auditors

Hill House, 1 Little New Street, London EC4A 3TR
28th September, 2000

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	For the year ended 31st July, 2000 — Ordinary activities before exceptional costs and goodwill amortisation £'000	Exceptional costs and goodwill amortisation £'000	Total ordinary activities £'000	Year ended 31st July, 1999 £'000
Interest receivable		166,123	—	166,123	121,277
Interest payable		(90,609)	—	(90,609)	(61,422)
Net interest income		75,514	—	75,514	59,855
Dividend income		479	—	479	398
Fees and commissions receivable		122,048	—	122,048	66,162
Fees and commissions payable		(25,708)	—	(25,708)	(9,367)
Net dealing income — market-making		203,954	—	203,954	67,162
Other operating income		6,764	—	6,764	1,341
Other income		307,537	—	307,537	125,696
Operating income		383,051	—	383,051	185,551
Administrative expenses	2	209,724	8,040	217,764	97,709
Depreciation	12	5,688	—	5,688	3,472
Provisions for bad and doubtful debts	9	12,533	—	12,533	8,028
Amortisation of goodwill	29	—	2,305	2,305	24
Total operating expenses		227,945	10,345	238,290	109,233
Operating profit on ordinary activities before taxation	4	155,106	(10,345)	144,761	76,318
Taxation on profit on ordinary activities	5	49,239	(2,382)	46,857	24,473
Profit on ordinary activities after taxation		105,867	(7,963)	97,904	51,845
Minority interests — equity		2,789	(121)	2,668	982
Profit attributable to shareholders		103,078	(7,842)	95,236	50,863
Dividends:					
Interim dividend 8.0p per share (1999 — 5.3p)				10,659	6,410
Proposed final dividend 17.0p per share (1999 — 10.7p)				22,697	14,365
Total dividends 25.0p per share (1999 — 16.0p)				33,356	20,775
Retained profit for the year	21			61,880	30,088
Earnings per share before exceptional costs and amortisation of goodwill				77.79p	42.10p
Earnings per share on profit attributable to shareholders	35			71.88p	42.08p
Diluted earnings per share				71.28p	41.88p

All income and profits are in respect of continuing operations.

Close Brothers

CONSOLIDATED BALANCE SHEET

At 31st July, 2000

	Note	2000	1999
		£'000	£'000
Assets			
Cash and balances at central banks		235	64
Loans and advances to banks	7	631,824	395,512
Loans and advances to customers	8	895,334	701,233
Debt securities — gilts long positions	10	23,521	18,473
Debt securities — other	10	486,488	208,860
Settlement accounts		301,340	215,628
Equity shares — long positions	11	52,917	36,549
Equity shares — investments	11	21,100	19,345
Intangible fixed assets — goodwill	29	50,264	1,083
Tangible fixed assets	12	20,817	12,560
Other assets	17	136,529	81,797
Deferred taxation	18	6,949	1,610
Prepayments and accrued income		17,508	9,004
Total assets		2,644,826	1,701,718
Liabilities			
Deposits by banks	13	67,382	89,189
Customer accounts	14	1,066,388	535,715
Bank loans and overdrafts	15	453,685	330,043
Debt securities in issue — loan notes	16	36,281	54,422
Debt securities in issue — gilts short positions		25,891	20,297
Settlement accounts		249,741	177,119
Equity shares — short positions		10,657	10,822
Other liabilities	17	243,745	150,386
Accruals and deferred income		63,302	43,518
Subordinated loan capital	19	51,937	21,937
Minority interests — equity		7,975	2,111
		2,276,984	1,435,559
Shareholders' funds			
Called up share capital	20	33,760	32,142
Share premium account	21	185,243	138,879
Profit and loss account	21	148,839	95,138
Total equity shareholders' funds		367,842	266,159
Total liabilities and shareholders' funds		2,644,826	1,701,718
Memorandum items			
Contingent liabilities — guarantees	22	3,717	387
Commitments — other	23	121,228	110,737

Approved by the Board of Directors on 28th September, 2000

Sir David Scholey
R. D. Kent } *Directors*
P. L. Winkworth

COMPANY BALANCE SHEET

At 31st July, 2000

	Note	2000	1999
		£'000	£'000
Fixed assets			
Investments in subsidiaries	29	263,281	136,104
Tangible fixed assets	12	5,530	1,133
Equity shares	11	5,880	5,957
		274,691	143,194
Current assets			
Debtors	30	81,214	130,941
Other assets		10,871	11,772
		92,085	142,713
Creditors: Amounts falling due within one year	31	71,524	45,582
Net current assets		20,561	97,131
Total assets less current liabilities		295,252	240,325
Creditors: Amounts falling due after more than one year	32	29,572	18,873
		265,680	221,452
Capital and reserves			
Share capital	20	33,760	32,142
Share premium account	21	185,243	138,879
Profit and loss account	21	46,677	50,431
Total equity shareholders' funds		265,680	221,452

Approved by the Board of Directors on 28th September, 2000

Sir David Scholey
R. D. Kent } *Directors*
P. L. Winkworth

Close Brothers

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31st July, 2000

	2000	1999
	£'000	£'000
Profit attributable to shareholders	95,236	50,863
Net investment loss for the year after taxation	—	(212)
Exchange adjustment	(80)	(78)
Total recognised gains and losses	95,156	50,573

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st July, 2000

	Note	2000	1999
		£'000	£'000
Net cash inflow from operating activities	33(a)	117,306	67,201
Returns on investments and servicing of finance:			
Dividends paid to minorities		(719)	(650)
Taxation:			
UK corporation taxation paid		(36,983)	(32,513)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(13,033)	(6,654)
Sale of tangible fixed assets		1,014	735
Purchase of equity shares held for investment		(6,279)	(6,406)
Sale of equity shares held for investment		7,505	1,983
		(10,793)	(10,342)
Acquisitions and disposals:			
Minority interests sold/(acquired) for cash		2,443	(11,015)
Purchase and sale of subsidiaries	33(b)	(15,103)	132
		(12,660)	(10,883)
Equity dividends paid		(25,024)	(18,136)
Net cash inflow/(outflow) before financing		31,127	(5,323)
Financing:			
Issue of ordinary share capital including premium	33(c)	2,906	45,849
Issue of subordinated loan capital	33(c)	30,000	—
Increase in cash	33(d)	64,033	40,526

In the directors' view, cash is an integral part of the operating activities of the group, since it is a bank's stock in trade. Nevertheless, as required by Financial Reporting Standard No. 1 (Revised), cash is not treated as cash flow from operating activities but is required to be shown separately in accordance with the format above.

1. Accounting policies

(a) Format of financial statements

The group financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to banking groups and those of the company in accordance with section 226 of, and Schedule 4 to, the Companies Act 1985. The financial statements are prepared 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 equity shares and gilts.

(c) Fees and commissions receivable

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

(d) Net dealing income

Net dealing income includes the net profit arising from both buying and selling securities and from positions held in securities.

(e) Loans and advances

Loans and advances are stated net of provisions against doubtful debts which are made on the basis of regular review by management.

(f) Finance leases, operating 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.

(g) Equity shares and gilts

The long and short positions in equity shares and gilts 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.

Equity shares held for investment purposes are included in the balance sheet at middle market values if listed and at directors' valuation if unlisted.

Equity shares held by the employee benefit trust are shown at cost and realised surpluses and losses are taken to the profit and loss account.

(h) Investments in subsidiaries

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

(i) 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 and long leasehold property	2.5%
Office machinery and furniture	10%—33%
Motor vehicles	25%
Short leasehold property	over the length of the lease

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

(j) Foreign currencies

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.

(k) Deferred taxation

Deferred taxation is provided in full at the anticipated rates of taxation on material timing differences arising from the inclusion of items of income and expenditure in taxation computations covering periods different from those for which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

(l) Goodwill

Before 1st August, 1998, 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, was written off to reserves in the year of acquisition. From 1st August, 1998, as required by Financial Reporting Standard No. 10, such goodwill arising subsequently has been capitalised in intangible assets and is amortised in equal annual instalments over its estimated useful life of up to 20 years.

(m) Pensions

The cost of providing pensions is charged to the profit and loss account so as to spread the cost for those employees in defined benefit schemes over the anticipated service lives of those employees. Contributions within defined contribution schemes are charged to the profit and loss account as they become payable, in accordance with the rules of the scheme.

2. Administrative expenses

	2000	1999
	£'000	£'000
Staff costs:		
Wages and salaries	134,783	60,078
Social security costs	17,021	6,545
Other pension costs	5,606	3,036
	157,410	69,659
Other administrative expenses (including £8,040,000 (1999 — £Nil) of exceptional reorganisation costs (relating mainly to Rea Brothers Group plc))	60,354	28,050
	217,764	97,709

The average number of persons employed by the group during the year was 1,365 (1999 — 909).

3. Information regarding directors

	2000	1999
	£'000	£'000
Directors' emoluments:		
Fees	81	92
Salaries	2,038	1,880
Other benefits	89	101
Performance related payments in respect of the current year	5,477	2,481
Performance related payments in respect of earlier years	157	—
	7,842	4,554
Gains upon exercise of options	2,955	68
Company pension contributions	357	331
	11,154	4,953

The remuneration of individual directors is shown on page 18.

Directors' share options:
Unexercised options over ordinary shares held by directors under the company's sharesave and executive share option schemes were as follows:

	1st August, 1999	Granted during the year	Exercised during the year	Options in issue 31st July, 2000	Options in issue Exercise price*	Options in issue Exercise dates Earliest	Options in issue Exercise dates Latest	Options exercised Exercise price	Options exercised Market price
D.G. Hardisty	197,562	35,000	(30,455)	202,107	475.43p	6th Nov, 99	2nd Nov, 09	330.00p	1057.50p
			(50,000) (3,869) (81,495)					330.00p 252.00p 219.90p	1105.00p 1065.00p 1077.50p
S.R. Hodges	315,364	76,641	(135,364)	256,641	518.74p	30th Oct, 00	2nd Nov, 09	261.49p*	1087.30p*
R.D. Kent	262,562	100,000	—	362,562	543.96p	30th Oct, 00	2nd Nov, 09	—	—
C.D. Keogh	274,174	76,144	(81,495)	268,823	504.57p	6th Nov, 99	2nd Nov, 09	219.90p	1252.50p
			(42,955) (4,545)					330.00p 330.00p	1309.00p 822.50p
E.J. Llewellyn-Lloyd	206,845	65,000	(47,500)	224,345	510.40p	30th Oct, 00	2nd Nov, 09	330.00p*	1262.45p*
P.L. Winkworth	250,040	91,641	(10,040)	331,641	544.03p	30th Oct, 00	2nd Nov, 09	171.80p	942.50p
B.M. Winterflood	195,000	2,860	(35,000)	162,860	417.69p	30th Oct, 00	6th Oct, 08	330.00p	1055.00p

*Weighted average.

Executive directors hold options under the 1995 Executive Share Option Scheme ("1995 Scheme"), approved by shareholders in November 1995, and an Inland Revenue approved Savings Related Share Option Scheme ("SAYE Scheme").

Under the terms of the 1995 Scheme, options may be exercised between three and ten years after the date of grant, only if performance targets are met. In relation to half these options granted, the target requires that the growth in earnings per share over any three year period is at least RPI plus 4 per cent. per annum. In relation to the remainder of these options granted, the target requires that the growth in earnings per share over any five year period is such as to place the company in the top quartile of FT-SE 100 companies.

Under the terms of the SAYE Scheme, options are granted for a fixed contract period of three or five years.

Non-executive directors do not hold options over ordinary shares of the company. The interests of directors in options have remained unchanged since 31st July, 2000.

The mid-market price of the company's shares on 31st July, 2000 was 1045p and the range during the year was 707.5p to 1309p.

4. Profit on ordinary activities before taxation	2000	1999
	£'000	£'000
The profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration:		
Audit fees	745	376
Other fees	511	304
Operating lease rentals payable	3,723	1,534

Aggregate rentals received in respect of finance leases and hire purchase contracts amounted to £269,249,000 (1999 — £223,195,000).

Substantially all of the group's activities are located in the UK. The directors are of the opinion that merchant banking activities account for over 90% of the group profits and net assets. Accordingly segmental reporting does not apply. Details of the split of operating profits by main business sectors and other information on substantial business areas are given both in the Chairman's Statement and other management reviews on pages 5 to 13.

5. Taxation on profit on ordinary activities	2000	1999
	£'000	£'000
Corporation taxation at 30% (1999 — 30.7%)	51,586	25,735
Overseas taxation	1,571	—
Deferred taxation (note 18)	(5,350)	(1,800)
Prior year adjustment	(950)	538
	46,857	24,473

6. 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 £29,602,000 (1999 — £38,895,000).

7. Loans and advances to banks	2000	1999
	£'000	£'000
Repayable:		
On demand	123,065	59,203
Within three months	471,136	298,309
Between three months and one year	37,623	38,000
	631,824	395,512

8. Loans and advances to customers

	2000	1999
	£'000	£'000
Loans and advances (net of provisions) comprise:		
Loans and advances to customers	389,914	241,009
Hire purchase agreement receivables	365,619	339,618
Finance lease receivables	139,801	120,606
	895,334	701,233

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £836,779,000 (1999 — £817,845,000).

	2000	1999
	£'000	£'000
Loans and advances are repayable:		
On demand or at short notice	55,053	92,905
Within three months	208,563	114,951
Between three months and one year	255,823	183,277
Between one and two years	245,809	137,560
Between two and five years	150,618	182,088
After more than five years	3,460	9,648
Provisions	(23,992)	(19,196)
	895,334	701,233

9. Provisions for bad and doubtful debts

	2000	1999
	£'000	£'000
At 1st August, 1999	19,196	17,141
Acquisition of subsidiaries	22,424	—
Charge for the year	12,533	8,028
Amounts written off	(30,161)	(5,973)
At 31st July, 2000	23,992	19,196

10. Debt securities

	2000	1999
	£'000	£'000
Certificates of deposit (held for liquidity purposes at cost)	476,508	208,860
Floating rate notes (held for investment purposes at cost)	9,980	—
	486,488	208,860
Held for trading purposes:		
Gilts long positions	23,521	18,473

At both 31st July, 2000 and 1999 the certificates of deposit were issued by banks and building societies, were due to mature within one year and were unlisted. The floating rate notes, all of which mature in more than one year, were issued by UK banks and building societies and are held until maturity.

Gilts long positions are accounted for on the basis outlined in note 1(g) and comprise UK gilt edged securities held by Winterflood Gilts Limited. £770,000 (1999 — £1,123,000) were due to mature within one year and £22,751,000 (1999 — £17,350,000) were due to mature in one year and over. That company's gilts short positions, which are shown in the consolidated balance sheet, were £25,891,000 (1999 — £20,297,000).

11. Equity shares

	Trading		Investment		Total	
	2000	1999	2000	1999	2000	1999
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
Listed on London Stock Exchange	52,917	36,549	10,123	8,809	63,040	45,358
Unlisted	—	—	10,977	10,536	10,977	10,536
	52,917	36,549	21,100	19,345	74,017	55,894
Company						
Listed on London Stock Exchange	—	—	5,880	5,957	5,880	5,957

Equity shares are accounted for on the basis outlined in note 1(g).
All trading shares are held by Winterflood Securities Limited and form that company's long positions. Its short positions, which are shown in the consolidated balance sheet, were £10,657,000 (1999 — £10,822,000).
The listed equity shares held by the company relate to the company's ordinary shares held by the employee share benefit trust.

The historical cost of equity shares held for investment purposes is as follows:

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Listed on London Stock Exchange	10,123	8,628	5,880	5,957
Unlisted	9,653	7,958	—	—
	19,776	16,586	5,880	5,957

The movement on equity shares held for investment purposes is as follows:

	Group 2000	Company 2000
	£'000	£'000
At 1st August, 1999	19,345	5,957
Additions	6,279	—
Acquisition of subsidiary	1,225	—
Disposals	(7,073)	(77)
Unrealised profit on revaluation	1,324	—
At 31st July, 2000	21,100	5,880

12. Tangible fixed assets

Group	Land and buildings £'000	Office machinery and furniture £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 1st August, 1999	3,452	16,199	5,098	24,749
Additions	3,779	6,851	2,403	13,033
Acquisition of subsidiaries	1,127	4,237	62	5,426
Disposals	(748)	(1,860)	(1,738)	(4,346)
At 31st July, 2000	7,610	25,427	5,825	38,862
Depreciation				
At 1st August, 1999	415	10,023	1,751	12,189
Charge for the year	287	4,077	1,324	5,688
Acquisition of subsidiaries	467	2,743	30	3,240
Disposals	(570)	(1,525)	(977)	(3,072)
At 31st July, 2000	599	15,318	2,128	18,045
Net book value at 31st July, 2000	7,011	10,109	3,697	20,817
Net book value at 31st July, 1999	3,037	6,176	3,347	12,560
Company				
Cost or valuation				
At 1st August, 1999	280	1,302	233	1,815
Additions	3,670	1,180	28	4,878
Disposals	—	(35)	(52)	(87)
At 31st July, 2000	3,950	2,447	209	6,606
Depreciation				
At 1st August, 1999	19	546	117	682
Charge for the year	133	281	40	454
Disposals	—	(25)	(35)	(60)
At 31st July, 2000	152	802	122	1,076
Net book value at 31st July, 2000	3,798	1,645	87	5,530
Net book value at 31st July, 1999	261	756	116	1,133

The net book value of land and buildings comprises:

	Group		Company	
	2000	1999	2000	1999
	£'000	£'000	£'000	£'000
Freehold	2,719	2,237	—	—
Long leasehold	255	261	—	—
Short leasehold	4,037	539	3,798	261
	7,011	3,037	3,798	261

13. Deposits by banks

	2000	1999
	£'000	£'000
Repayable:		
On demand or at short notice	13,553	1,632
Within three months	53,329	82,057
Between three months and one year	500	5,500
	67,382	89,189

14. Customer accounts

	2000	1999
	£'000	£'000
Repayable:		
On demand or at short notice	300,885	104,835
Within three months	689,903	389,212
Between three months and one year	68,010	41,668
Between one and two years	31	—
Between two and five years	7,559	—
	1,066,388	535,715

15. Bank loans and overdrafts

	2000	1999
	£'000	£'000
Repayable:		
On demand or at short notice	4,281	1,802
Within three months	15,000	—
Between three months and one year	57,404	37,757
Between one and two years	39,500	103,984
Between two and five years	327,500	186,500
Over five years	10,000	—
	453,685	330,043

16. Debt securities in issue — loan notes

	2000	1999
	£'000	£'000
Repayable:		
Between three months and one year	18,141	18,141
Between one and two years	18,140	18,141
Between two and five years	—	18,140
	36,281	54,422

The notes, which are U.S. dollar denominated, arose from a private placement with a group of U.S. insurance companies. They have been hedged under an exchange rate and interest rate contract and are repayable in two instalments on 11th June, 2001 and 10th June, 2002.

17. Other assets and liabilities

	2000	1999
	£'000	£'000
Other assets		
Loans to money brokers against stock advanced	85,491	55,523
Other assets	51,038	26,274
	136,529	81,797
Other liabilities		
Loans from money brokers against stock advanced	39,127	47,525
Current corporation taxation	32,174	14,997
Proposed dividend	22,697	14,365
Other liabilities	149,747	73,499
	243,745	150,386

18. Deferred taxation

	2000	1999
	£'000	£'000
Group		
Capital allowances	(444)	(553)
Short term and other timing differences	7,393	2,163
Deferred taxation asset	6,949	1,610

The company's deferred taxation asset in both years arises from short term and other timing differences.

Movement in the year:	Group 2000	Company 2000
	£'000	£'000
Asset at 1st August, 1999	1,610	447
Credit for the year	5,350	240
Acquisition of subsidiaries	(11)	—
Asset at 31st July, 2000	6,949	687

Full provision has been made for deferred taxation since the timing differences are expected to crystallise.

19. Subordinated loan capital

Final maturity date	Prepayment date at issuer's option	Initial rate (%)	Notes	2000	1999
				£'000	£'000
2010	2005	10.07	(a)	21,937	21,937
2020	2015	7.39	(b)	30,000	—
				51,937	21,937

(a) The 2010 subordinated loan capital is initially denominated in sterling and converts to U.S. dollars in 2005. If Close Brothers Limited opt not to prepay in 2005, the interest rate is reset to a margin over the 5 year U.S. Treasury rate, payable in U.S. dollars.

(b) The 2020 subordinated loan capital is denominated in sterling. If Close Brothers Limited opt not to prepay in 2015, the interest rate is reset to a margin over the yield on 5 year U.K. Treasury securities.

There are no circumstances in which early repayment can be demanded of either issue other than upon the passing of a winding-up order in respect of the issuer, Close Brothers Limited, in which case the loan capital is subordinated to the claims of all unsubordinated creditors, including depositors. The subordinated loan capital is guaranteed by the company.

20. Share capital

	2000		1999	
	No.'000	£'000	No.'000	£'000
Authorised				
Ordinary shares of 25p each	200,000	50,000	200,000	50,000
Allotted, issued and fully paid				
At 1st August, 1999	128,567	32,142	122,151	30,538
Issued during the year	5,303	1,326	6,014	1,504
Exercise of options	1,169	292	402	100
At 31st July, 2000	135,039	33,760	128,567	32,142

The following options to subscribe for ordinary shares have been granted under the sharesave and executive share option schemes to 475 employees:

Year of grant	Exercise period	Exercise price per share	2000 Number	1999 Number
1989	20th October, 1994 to 19th October, 1999	121.58p	—	51,408
1990	16th October, 1995 to 15th October, 2000	112.84p	—	17,857
1993	29th October, 1996 to 28th October, 2003	219.90p	—	61,121
1993	29th October, 1998 to 28th October, 2003	219.90p	64,262	431,928
1994	4th November, 1997 to 3rd November, 2004	231.68p	—	9,345
1994	4th November, 1999 to 3rd November, 2004	231.68p	112,056	224,114
1994	1st December, 1999 to 31st May, 2000	171.80p	—	100,798
1995	3rd November, 1998 to 2nd November, 2005	316.00p	15,000	28,000
1995	3rd November, 2000 to 2nd November, 2005	316.00p	166,800	214,800
1995	1st December, 2000 to 31st May, 2001	251.00p	126,426	137,692
1996	6th November, 1999 to 5th November, 2006	330.00p	228,385	578,750
1996	6th November, 2001 to 5th November, 2006	330.00p	541,250	578,750
1996	1st December, 1999 to 31st May, 2000	252.00p	—	83,004
1996	1st December, 2001 to 31st May, 2002	252.00p	121,778	121,778
1997	30th October, 2000 to 29th October, 2007	482.50p	627,750	638,750
1997	30th October, 2002 to 29th October, 2007	482.50p	614,750	638,750
1997	1st December, 2000 to 31st May, 2001	386.00p	48,779	54,333
1997	1st December, 2002 to 31st May, 2003	386.00p	77,370	80,050
1998	7th October, 2001 to 6th October, 2008	417.50p	794,125	824,125
1998	7th October, 2003 to 6th October, 2008	417.50p	782,875	824,125
1998	9th November, 2001 to 8th November, 2008	552.50p	6,000	6,000
1998	9th November, 2003 to 8th November, 2008	552.50p	6,000	6,000
1998	1st December, 2001 to 31st May, 2002	378.00p	65,669	75,968
1998	1st December, 2003 to 31st May, 2004	378.00p	96,555	97,090
1999	3rd November, 2002 to 2nd November, 2009	779.50p	796,250	—
1999	3rd November, 2004 to 2nd November, 2009	779.50p	796,250	—
1999	1st December, 2002 to 31st May, 2003	590.00p	137,444	—
1999	1st December, 2004 to 31st May, 2005	590.00p	158,342	—
			6,384,116	5,884,536

21. Reserves

	Share premium account	Profit and loss account	Total
Group	£'000	£'000	£'000
At 1st August, 1999	138,879	95,138	234,017
Retained profit for the year	—	61,880	61,880
Exchange adjustment	—	(80)	(80)
Shares issued net of expenses	46,364	—	46,364
Goodwill arising in respect of deferred consideration	—	(8,099)	(8,099)
At 31st July, 2000	185,243	148,839	334,082

The cumulative goodwill written off against reserves since the formation of the group is £86,104,000 (1999 — £78,005,000). This goodwill has been eliminated as a matter of accounting policy and would be charged or credited to the profit and loss account should the businesses to which the goodwill relates be sold.

	Share premium account	Profit and loss account	Total
Company	£'000	£'000	£'000
At 1st August, 1999	138,879	50,431	189,310
Retained loss for the year	—	(3,754)	(3,754)
Shares issued net of expenses	46,364	—	46,364
At 31st July, 2000	185,243	46,677	231,920

Reconciliation of movements in shareholders' funds	2000	1999
Group	£'000	£'000
Profit for the year	95,236	50,863
Dividends	(33,356)	(20,775)
Retained profit for the year	61,880	30,088
Net investment loss for the year after taxation	—	(212)
Exchange adjustment	(80)	(78)
Shares issued net of expenses — capital	1,618	1,604
— premium	46,364	44,245
Goodwill	(8,099)	(15,841)
Net addition to shareholders' funds	101,683	59,806
Opening shareholders' funds	266,159	206,353
Closing shareholders' funds	367,842	266,159

22. Contingent liabilities

Memorandum items:

There are group contingent liabilities in respect of guarantees arising in the normal course of business amounting to £3,717,000 (1999 — £387,000).

Other contingent liabilities:

The company has given guarantees in respect of amounts drawn under subsidiaries' bank facilities amounting to £453,673,000 (1999 — £330,029,000). In addition, the company has given guarantees in respect of long term loans issued by subsidiaries amounting to £95,718,000 (1999 — £76,359,000).

The group is committed to purchase minority interests in certain subsidiaries at an agreed fair valuation at varying dates in the period to 31st July, 2010 and has made a capital provision of £23,315,000 (1999 — £14,311,000).

23. Commitments	2000	1999
	£'000	£'000
Memorandum items:		
Undrawn facilities, credit lines and other commitments to lend		
— Within one year	118,859	108,380
— After more than one year	2,369	2,357
	121,228	110,737

Other commitments:

Subsidiaries had contracted capital commitments relating to capital expenditure of £69,000 (1999 — £4,436,000).

Annual commitments under non-cancellable operating leases at 31st July, 2000 were as follows:

	Premises £'000	Other £'000
Expiring:		
Within one year	97	155
Within two to five years	455	203
After more than five years	3,991	—
	4,543	358

24. Interest rate exposure

The group's interest rate exposure is summarised below in the form of an interest rate repricing table. The table reflects the repricing profile of the group's non trading assets, liabilities and net interest rate swap contracts as at the year end. The trading activities of Winterflood Securities Limited, Winterflood Gilts Limited and Close Brothers Equity Markets S.A. are different in nature and so are the only net assets excluded here and instead analysed in note 28. The table shows the sensitivity of the group's earnings to interest rate movements. The cumulative gap of interest bearing net assets of £381,491,000 (1999 — £265,368,000) broadly equates to the group's capital and reserves, which as a matter of policy are not hedged. The table therefore demonstrates the group's policy of broadly matching all interest rate liabilities.

At 31st July, 2000

Non trading assets	Within three months £'000	Between three and six months £'000	Between six months and one year £'000	Between one and five years £'000	After more than five years £'000	Non-interest bearing £'000	Total £'000
Cash and balances at central banks	—	—	—	—	—	235	235
Loans and advances to banks	594,201	18,740	18,883	—	—	—	631,824
Loans and advances to customers	327,407	81,924	129,071	354,161	2,771	—	895,334
Debt securities and equity shares	466,488	20,000	—	—	—	21,100	507,588
Settlement accounts	—	—	—	—	—	301,340	301,340
Other non trading assets	93,496	—	—	—	—	138,571	232,067
	1,481,592	120,664	147,954	354,161	2,771	461,246	2,568,388
Non trading liabilities							
Deposits by banks	66,882	500	—	—	—	—	67,382
Customer accounts	990,788	37,586	30,424	7,590	—	—	1,066,388
Bank loans and overdrafts	364,952	87,399	1,334	—	—	—	453,685
Debt securities in issue — loan notes	—	—	18,141	18,140	—	—	36,281
Settlement accounts	—	—	—	—	—	249,741	249,741
Other non trading liabilities	49,035	510	433	—	—	257,069	307,047
Subordinated loan capital	—	—	—	—	51,937	—	51,937
Minority interests and shareholders' funds	—	—	—	—	—	375,817	375,817
	1,471,657	125,995	50,332	25,730	51,937	882,627	2,608,278
Non trading net assets/(liabilities)	9,935	(5,331)	97,622	328,431	(49,166)	(421,381)	(39,890)
Net interest rate swaps							
Floating rate	219,893	43,718	—	—	—		263,611
Fixed rate	(73,838)	(44,377)	(24,400)	(120,996)	—		(263,611)
	146,055	(659)	(24,400)	(120,996)	—		—
Interest rate sensitivity gap	155,990	(5,990)	73,222	207,435	(49,166)		
Cumulative gap	155,990	150,000	223,222	430,657	381,491		

24. Interest rate exposure *continued*

At 31st July, 1999

Non trading assets	Within three months £'000	Between three and six months £'000	Between six months and one year £'000	Between one and five years £'000	After more than five years £'000	Non-interest bearing £'000	Total £'000
Cash and balances at central banks	—	—	—	—	—	64	64
Loans and advances to banks	357,512	17,500	20,500	—	—	—	395,512
Loans and advances to customers	233,370	71,814	91,831	295,715	8,459	44	701,233
Debt securities and equity shares	204,860	—	4,000	—	—	19,345	228,205
Settlement accounts	—	—	—	—	—	215,628	215,628
Other non trading assets	55,523	—	—	18	—	50,513	106,054
	851,265	89,314	116,331	295,733	8,459	285,594	1,646,696
Non trading liabilities							
Deposits by banks	83,689	5,500	—	—	—	—	89,189
Customer accounts	494,004	18,172	23,496	—	—	43	535,715
Bank loans and overdrafts	233,184	96,859	—	—	—	—	330,043
Debt securities in issue — loan notes	—	—	18,141	36,281	—	—	54,422
Settlement accounts	—	—	—	—	—	177,119	177,119
Other non trading liabilities	63,961	510	—	—	—	129,433	193,904
Subordinated loan capital	—	—	—	—	21,937	—	21,937
Minority interests and shareholders' funds	—	—	—	—	—	268,270	268,270
	874,838	121,041	41,637	36,281	21,937	574,865	1,670,599
Non trading net (liabilities)/assets	(23,573)	(31,727)	74,694	259,452	(13,478)	(289,271)	(23,903)
Net interest rate swaps							
Floating rate	137,000	101,028	—	—	—		238,028
Fixed rate	(35,000)	(15,000)	(30,859)	(157,169)	—		(238,028)
	102,000	86,028	(30,859)	(157,169)	—		—
Interest rate sensitivity gap	78,427	54,301	43,835	102,283	(13,478)		
Cumulative gap	78,427	132,728	176,563	278,846	265,368		

These tables do not reflect the benefit of interest rate caps taken out by the group to protect against the risk of a rise in interest rates. At 31st July, 2000 the group had two interest rate caps with a contract amount of £21,735,000 (1999 — one of £1,000,000).

25. Interest rate and exchange rate contracts

	2000	1999
	£'000	£'000
Interest rate contracts:		
Contract amount	331,628	293,450
Credit risk weighted amount	369	407
Exchange rate contracts:		
Contract amount	39,758	57,338
Credit risk weighted amount	398	574

Interest rate and exchange rate contracts are entered into only for hedging purposes. The credit risk weighted amounts have been prepared in accordance with guidelines laid down by the Financial Services Authority and are intended to give an indication of credit risk.

26. Assets and liabilities in foreign currencies

The aggregate amounts of assets and liabilities denominated in foreign currencies, mainly U.S. dollars, were as follows:

	2000	1999
	£'000	£'000
Assets	288,521	122,907
Liabilities	288,639	122,612

The above does not represent the group's exposure to foreign exchange rate movements as certain foreign currency liabilities have been hedged under exchange rate contracts. The group's exposure to foreign exchange risk is considered by the directors to be minimal.

27. **Fair values of financial instruments and unrecognised gains and losses on hedges**
The fair values of the group's trading financial assets and liabilities are dealt with in note 28. The tables below highlight the year end unrecognised gains and losses, attributable to the group's derivative financial instruments and non trading financial assets and liabilities, for which liquid and active markets exist. Certificates of deposit and derivative financial instruments are normally held to maturity and are purchased for liquidity and hedging purposes respectively. The fair values of the financial instruments have been obtained from independent, open market sources or using discounted cash flow techniques based on prevailing market rates.

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Primary financial instruments held to finance the group's operations:				
Debt securities	486,488	486,499	208,860	208,838
Listed investments – equity shares	10,123	20,234	8,809	15,990
Other assets – listed investments	10,329	11,792	10,329	11,495
	506,940	518,525	227,998	236,323

In order to minimise the impact of interest rate and currency rate changes to the group's financial assets and liabilities, derivative financial instruments are purchased to hedge exposures. The tables below summarise the unrecognised gains and losses on these derivative financial instruments:

	2000		1999	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Derivative financial instruments held to manage the interest rate and currency exposure:				
Interest rate swaps	—	487	—	(1,054)
Interest rate caps	—	—	—	—
Currency swaps	—	(710)	—	(5,023)
	—	(223)	—	(6,077)

	Gains £'000	Losses £'000	Total net (losses)/ gains £'000
Unrecognised gains and losses on hedges:			
At 1st August, 1999	1,985	8,062	(6,077)
Gains and losses on hedges arising in previous years that were recognised in the current year	913	7,045	(6,132)
Gains and losses on hedges arising in previous years that were not recognised in the current year	1,072	1,017	55
Gains and losses on hedges arising in the current year that have not yet been recognised	204	482	(278)
At 31st July, 2000	1,276	1,499	(223)
Of which:			
Gains and losses on hedges expected to be recognised next year	867	1,026	(159)
Gains and losses on hedges expected to be recognised later than next year	409	473	(64)

28. Trading book exposure

The group's trading activities relate to Winterflood Securities Limited and its subsidiary, Winterflood Gilts Limited, and to Close Brothers Equity Markets S.A.

The following table shows the group's trading book exposure to market price risk for the year ended 31st July, 2000:

		Highest exposure £'000	Lowest exposure £'000	Average exposure £'000	Exposure at 31st July £'000
Equities	— Long	87,488	26,841	48,376	52,917
	— Short	30,121	7,629	16,218	10,657
				32,158	42,260
Gilts	— Long	44,833	13,580	20,999	23,521
	— Short	52,445	15,214	23,933	25,891
				(2,934)	(2,370)

The following table shows the group's trading book exposure to market price risk for the year ended 31st July, 1999:

		Highest exposure £'000	Lowest exposure £'000	Average exposure £'000	Exposure at 31st July £'000
Equities	— Long	37,705	18,684	26,426	36,549
	— Short	19,141	5,303	14,203	10,822
				12,223	25,727
Gilts	— Long	129,943	15,823	91,720	18,473
	— Short	132,401	18,124	95,803	20,297
				(4,083)	(1,824)

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

Based upon the trading book exposure at 31st July, 2000 given above, a 10% hypothetical fall in market prices would result in a £4,226,000 (1999 — £2,573,000) decrease in the group's income and net assets on the equity trading book and a £237,000 (1999 — £182,000) increase on the gilts trading book. However, the group's trading activity is a jobbing business where positions are managed throughout the day on a continuous basis. Accordingly the result shown above is purely hypothetical.

Summarised below are the gains for the year on financial assets and liabilities held for trading:

	2000	1999
	£'000	£'000
Net dealing income — equities	196,540	60,404
— gilts	7,414	6,758
	203,954	67,162

29. Investments in subsidiaries

The group's principal subsidiaries at 31st July, 2000 were:

Name of company	Principal activity	Percentage of equity held by group	Country of registration and operation
Air and General Finance Limited	Aircraft financing	100	England
Close Asset Finance Limited	Commercial asset financing	100	England
Close Asset Management Holdings Limited	Asset management holding company	100	England
Close Asset Management Guernsey Limited	Offshore investment management	100	Guernsey
Close Bank Guernsey Limited	Offshore banking	100	Guernsey
Close Bank (Isle of Man) Limited	Offshore banking	100	Isle of Man
Close Brothers Corporate Finance Limited	Corporate finance	100	England
Close Brothers Equity Markets S.A.	Technology investment banking	100	France
Close Brothers Investment Limited	Personal investment product management	98[1]	England
Close Brothers Limited	Commercial lending and treasury	100	England
Close Brothers Private Equity Limited	Private equity venture capital fund management	99	England
Close Consumer Finance Limited	Car financing	100	England
Close Credit Management (Holdings) Limited	Credit management and debt collection	99[2]	England
Close Finsbury Asset Management Limited	Investment trust management	100	England
Close Fund Management Limited	Special investment and unit trust management	90	England
Close Fund Services Limited	Offshore fund administration	100	Guernsey
Close Investment Management (Isle of Man) Limited	Offshore investment management	100	Isle of Man
Close Investment Limited	AIM fund management	92	England
Close Invoice Finance Limited	Debt factoring and invoice discounting	95	England
Close Portfolio Management Limited	Investment company	100	England
Close Private Asset Management Limited	Private client fund management	100	England
Close Trustees Guernsey Limited	Trust and company administration	100	Guernsey
Close Trustees (Isle of Man) Limited	Trust and company administration	100	Isle of Man
Close Trustees (Switzerland) S.A.	Trust and company administration	70	Switzerland
Close Wealth Management Limited	Private client discretionary fund management	88[3]	England
Dôme Close Brothers S.A.	Corporate finance	50	France
Freyberg Close Brothers GmbH	Corporate finance	60	Germany
Mortgage Intelligence Limited	Mortgage broker network	86	England
Surrey Asset Finance Limited	Commercial asset financing	83	England
Warrior Group Limited	Financial services for the Armed Forces	80	England
Winterflood Securities Limited	Equities market-making	95[4]	England
Winterflood Gilts Limited	Gilts market-making	95[5]	England

1 The group holds 7% and has a 99% holding in Close Brothers Private Equity Limited which holds the remaining 91%.
2 Unexercised share options are outstanding which if exercised would result in the percentage of equity held by the group reducing to 92%.
3 The group holds 40% and has an 80% holding in Wealth Management Limited which holds the remaining 60%.
4 Unexercised share options are outstanding which if exercised would result in the percentage of equity held by the group reducing to 92%.
5 The group has a 95% holding in Winterflood Securities Limited which itself holds 100% of Winterflood Gilts Limited. Consequently if all of the unexercised options in Winterflood Securites Limited are exercised as described in note 4 above the group would also hold 92% of Winterflood Gilts Limited as a result.

The movement in the company's investments in subsidiaries was as follows:

	£'000
At 1st August, 1999	136,104
Net investments in subsidiaries during the year	127,177
At 31st July, 2000	**263,281**

In addition, subsidiaries of the company acquired further shares in the following subsidiaries during the year:

	Consideration £'000
Close Consumer Finance Limited	635
Freyberg Close Brothers GmbH	16

29. Investments in subsidiaries *continued*

The group purchased 100%, 80% and 100% of the capital of Rea Brothers Group plc (on 17th August, 1999), Warrior Group Limited (on 17th September, 1999) and Granville Bank Limited (on 1st November, 1999) respectively. It also bought 50% of Dôme Close Brothers S.A. in two tranches on 31st October, 1999 and 17th April, 2000. Each acquisition has been consolidated using acquisition accounting. The book value of, and the fair value adjustments to, the net assets purchased are shown below:

	Rea £'000	Warrior £'000	Granville £'000	Dôme £'000	Total £'000
Loans and advances to banks	248,925	1,950	20,353	2,023	
Loans and advances to customers	23,701	55,386	35,857	—	
Fair value adjustment to above item	—	(9,438)	—	—	
Debt securities	100,640	—	—	—	
Intangible fixed assets	—	—	—	1,164	
Other assets	12,458	3,910	437	742	
	385,724	51,808	56,647	3,929	
Customer accounts	348,056	—	40,792	—	
Bank loans and overdrafts	1,320	42,176	2,817	—	
Other liabilities	3,481	5,816	5,622	1,416	
Fair value adjustments to above item	3,303	408	—	—	
Minority interests	—	686	—	1,383	
	356,160	49,086	49,231	2,799	
Net assets of subsidiaries acquired	29,564	2,722	7,416	1,130	
Consideration for purchase of shares from shareholders:					
Cash	11,775	20,688	9,157	2,493	
Issue of shares	45,076	—	—	—	
Loan stock issued as deferred consideration	—	—	1,500	—	
Goodwill arising	27,287	17,966	3,241	1,363	49,857
Purchased goodwill					1,164
Goodwill arising from acquisition of other subsidiaries and minority interests					465
Goodwill capitalised in intangible assets					51,486
Unamortised goodwill at 1st August, 1999					1,083
Less:— amortisation during the year					(2,305)
Goodwill capitalised as at 31st July, 2000					**50,264**

The deferred consideration relating to Granville, shown above, is payable on 1st November, 2000. This liability may be reduced in accordance with the provisions of the purchase agreement of Granville.

Profit/(loss) after taxation and minority interests (before fair value adjustments):

	Rea £'000	Warrior £'000	Granville £'000	Dôme £'000
For the year ended	31st December, 1998	1st May, 1999	31st March, 1999	31st December, 1999
	2,628	(1,928)	1,231	849
For the period from	1st January, 1999	2nd May, 1999	1st April, 1999	1st January, 2000
to respective acquisition date	655	(803)	550	31

30. Debtors

	2000	1999
	£'000	£'000
Company		
Amounts falling due within one year:		
Amounts owed by subsidiaries	78,288	126,677
Prepayments and accrued income	62	223
Advance corporation taxation recoverable	—	1,844
Corporation taxation recoverable	2,177	1,750
Deferred taxation asset (note 18)	687	447
	81,214	130,941

31. Creditors: Amounts falling due within one year

	2000	1999
	£'000	£'000
Company		
Amounts owed to subsidiaries	10,757	5,871
Accruals and deferred income	38,070	25,346
Proposed dividend	22,697	14,365
	71,524	45,582

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

	2000	1999
	£'000	£'000
Company		
Loan from subsidiary	29,572	18,873

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

33. Consolidated cash flow statement

	2000	1999
	£'000	£'000
(a) Reconciliation of profit on ordinary activities before taxation to net cash inflow from operating activities		
Profit on ordinary activities before taxation	144,761	76,318
Decrease/(increase) in interest receivable and prepaid expenses	609	(847)
Increase in interest payable and accrued expenses	17,367	7,550
Net (increase)/decrease in settlement accounts	(13,090)	23,447
Net increase in equity shares held for trading purposes	(16,533)	(10,257)
Net decrease in gilts held for trading purposes	546	1,165
Depreciation and amortisation	7,993	3,496
Net cash inflow from trading activities	141,653	100,872
Net (increase)/decrease in certificates of deposit held for liquidity	(176,988)	97,077
Net increase in loans and advances to customers	(88,595)	(47,763)
Net decrease/(increase) in loans and advances to banks not repayable on demand	104,100	(126,821)
Net decrease in deposits by banks	(23,177)	(19,340)
Net increase in customer accounts	109,922	39,482
Net increase in bank loans and overdrafts	78,649	45,456
Net decrease in loan notes	(18,141)	—
Net increase in other assets and liabilities	(10,197)	(21,840)
Exchange adjustment	80	78
Net cash inflow from operating activities	117,306	67,201
(b) Analysis of net (outflow)/inflow of cash in respect of purchase and sale of subsidiaries		
Cash consideration of purchase	(46,924)	(351)
Net movement in cash balances	31,821	483
	(15,103)	132
(c) Analysis of changes in financing		
Share capital (including premium) and subordinated loan capital:		
At 1st August, 1999	192,958	147,109
Shares issued for cash	2,906	45,849
Shares issued other than for cash	45,076	—
Subordinated loan capital issued	30,000	—
At 31st July, 2000	270,940	192,958

(d) Analysis of cash balances	Movement in the year	2000	1999
	£'000	£'000	£'000
Cash and balances at central banks	171	235	64
Loans and advances to banks repayable on demand	63,862	123,065	59,203
	64,033	123,300	59,267

34. Pensions

The group operates defined contribution pension schemes and two defined benefits pension schemes for eligible employees.

Contributions to Close Brothers Limited (1979) Pension Plan, which is a defined benefits scheme, are determined by an independent qualified actuary based on triennial valuations using the aggregate cost method. The most recent actuarial valuation was at 31st July, 1997, when the market value of the assets of this scheme was £7,781,000 representing 92% of the benefits accrued to 127 members, allowing for future earnings increases. The company has paid special contributions of some £930,000 which will more than eliminate the deficit disclosed in this valuation. Future contributions to be made by the company under actuarial advice will then meet all pension obligations. A 1% per annum differential between investment returns and salary increases and a 5% per annum increase in pensions in payment are assumed. A further actuarial valuation as at 31st July, 2000 is being prepared.

Contributions to the defined benefits pension scheme of a subsidiary are assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The most recent actuarial valuation was at 31st July, 1998, when the market value of the assets of this scheme was £6,076,000 representing 101% of the benefits accrued to 57 members, allowing for future earnings increases. Future contributions to be made by the subsidiary under actuarial advice will meet all pension obligations. A 2% per annum differential between investment returns and salary increases and a 5% per annum increase in pensions in payment are assumed.

Assets of all schemes are held separately from those of the group.

The group pension charge for both defined contribution schemes and defined benefits pension schemes for the period was £5,556,000 (1999 — £3,036,000).

35. Earnings per share

The calculation of earnings per share on profit attributable to shareholders is based on profit after taxation and minority interests of £95,236,000 (1999 — £50,863,000) and on 132,501,000 (1999 — 120,859,000) ordinary shares, being the weighted average number of shares in issue during the year, excluding those held by the employee benefit trust.

36. Related party transactions

Transactions with directors

Certain directors of the company maintained deposit accounts with Close Brothers Limited, an authorised institution under the Banking Act 1987, during the course of the year on normal commercial terms.

Sir David Scholey is a senior adviser to UBS Warburg, which is an adviser to the company.

At 31st July, 2000 Mr. D.G. Hardisty held £3,500,000 unsecured loan stock issued by Close Brothers Limited on normal commercial terms.

On 27th June, 2000 Mr. B.M. Winterflood, a director and minority shareholder in Winterflood Securities Limited, exercised options over 3,333 10p ordinary shares in that company. The exercise price was £51.00 per share which represents their market value when the options were issued. Mr. Winterflood retained all 3,333 10p ordinary shares resulting from the exercise.

At 31st July, 2000 Mr. P.L. Winkworth held 200,000 options originally granted to him on 18th May, 1990 by Caledonia Investments plc over shares it holds in the company at a price of 153.4p per share.

Transactions with substantial shareholders

During the year the company and some of its subsidiaries undertook commercial, arm's length transactions with Caledonia Investments plc, a 19% shareholder in the company.

Shareholder Analysis

	Number of shareholders		Total shares held	
	2000	1999	2000	1999
Number of shares held				
Up to 500	1,476	846	413,494	246,049
501 — 1,000	1,105	836	889,853	683,128
1,001 — 2,000	738	682	1,097,662	1,031,436
2,001 — 5,000	582	513	1,947,830	1,692,332
5,001 — 10,000	242	225	1,829,165	1,686,767
10,001 — 50,000	328	284	7,701,284	6,533,294
Over 50,000	192	157	121,159,507	116,694,469
Total	4,663	3,543	135,038,795	128,567,475
Category of shareholders				
Investment groups	214	145	56,620,262	53,591,497
Insurance companies	41	35	38,384,259	44,490,369
Private shareholders	2,245	1,799	22,011,624	16,512,853
Pension funds	9	10	7,779,919	7,665,491
Others	2,154	1,554	10,242,731	6,307,265
Total	4,663	3,543	135,038,795	128,567,475

Calendar

Annual General Meeting	31st October, 2000
Payment of final dividend	7th November, 2000
Announcement of interim results	Early March, 2001
Payment of interim dividend	Mid April, 2001
Announcement of final results	Late September, 2001

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 up to 31st July, 2000, was 24.56p.

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