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CLOSE BROTHERS GROUP plc

The specialist merchant banking group

announces record

INTERIM RESULTS 2007

Financial Highlights

	First half 2006	**First half 2007**	
* Profit before tax	£76.5m	**£97.8m**	+28%
* Earnings per share	36.0p	**46.8p**	+30%
* Dividend per share	10.5p	**12.0p**	+14%
* Shareholders' funds	£0.6bn	**£0.7bn**	+14%
* Total assets	£4.9bn	**£4.8bn**	

Operational Highlights

* **Asset Management** profit a record £42.7 million (2006: £18.6 million), enhanced by some £15 million of unusually high private equity and property investment gains. FUM up 16% to £8.9 billion.
* **Corporate Finance** profit of £7.4 million (2006: £8.8 million).
* **Securities** profit of £20.4 million (2006: £21.8 million).
* **Banking** profit of £37.4 million (2006: £36.9 million) with bad debts remaining at low levels.

Colin Keogh, Chief Executive, commenting on the results said:

"We have turned in a strong performance with profit at a record level. Our underlying performance has been enhanced by unusually large investment gains.

Looking forward we expect a satisfactory underlying trading result in our second half with, again, some profitable investment realisations."

Enquiries to:

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Webcast video interview with Colin Keogh, Chief Executive, Close Brothers Group plc at www.closebrothers.co.uk and www.cantos.com

CHIEF EXECUTIVE'S STATEMENT

We have turned in a strong performance in the first six months with profit at a record level. A key feature of the period is that our underlying trading performance has been enhanced by an unusually large private equity realisation coupled with a gain on a long-standing property investment.

The operating profit on ordinary activities before tax for the six months ended 31st January, 2007 was £97.8 million (2006: £76.5 million), up 28%. Earnings per share increased by 30% to 46.8p (2006: 36.0p). The directors have declared an interim dividend of 12.0p (2006: 10.5p), an increase of 14%. This is payable on 18th April, 2007 to shareholders on the register at the close of business on 16th March, 2007.

OVERALL BUSINESS REVIEW

Against a backdrop of favourable stock markets our asset management business showed a substantial increase in profits. Our securities, corporate finance and banking businesses held their own. Growth in banking was held back by lack of volume in our premium finance activity, although we saw no increase in bad debts.

The table below shows the divisional summary of financial results for the period:

	Operating income		Profit before tax	
	First half 2006 £m	**First half 2007 £m**	First half 2006 £m	**First half 2007 £m**
Asset Management	62.0	**95.7**	18.6	**42.7**
Corporate Finance	30.5	**27.8**	8.8	**7.4**
Securities	62.5	**60.4**	21.8	**20.4**
Banking	96.7	**97.8**	36.9	**37.4**
Group	0.9	**2.3**	(9.6)	**(10.1)**
	252.6	**284.0**	76.5	**97.8**

The net assets of our four operating divisions at 31st January, 2007 have not changed materially from those at our previous year end.

Our Funds Under Management ("FUM") rose to £8.9 billion (up 16% on a year ago and 8% on the six months since our year end 2006). Our banking loan book remained almost unchanged at £1.9 billion.

Our key performance indicators remained broadly steady with some benefit from investment realisations.

	Full year 2006 %	First half 2006 %	**First half 2007 %**
Operating margin	29	30	**34**
Expense/income ratio	67	66	**62**
Compensation ratio	43	44	**41**

During the period we acquired the minority interest in Close Fund Management Limited and made a further payment for Close Brothers Seydler AG. We also participated in the capital raising by PLUS Markets Group plc, in which we now have a 24.9% shareholding. In total, investments made in the period amounted to £20.2 million.

DIVISIONAL BUSINESS REVIEW

Asset Management

The first half saw a record operating profit of £42.7 million. This strong result includes some £15 million of net capital gain realised from a combination of the sale of our holding in Minova International Limited and of a long-standing joint venture property investment (shown within other operating income) as well as higher than normal performance fees.

Private equity has been a core part of our asset management division for more than 20 years but the level of investment gains in this period was unusually high. We see good prospects for further profitable realisations in the second half as our highly successful Fund VI draws to a close, although it would be unrealistic to expect this level of investment gains to be sustainable.

FUM grew by £0.7 billion overall in the last six months to £8.9 billion. New funds raised were £1.0 billion, and represented 12% of opening funds six months earlier. Redemptions, realisations and withdrawals were £0.7 billion and market movement was £0.4 billion favourable. FUM was well balanced and well spread with 61% in equity and fixed interest and 39% in alternative asset classes.

Our private clients side (FUM £3.2 billion) continued to develop and is being grouped under the Close Wealth Management banner. Our enlarged team dealing with higher net worth clients attracted new FUM at a good rate, whilst our portfolio service for other onshore clients is reaping the benefits of improving net sales. Our offshore business continued to expand.

On our funds side (FUM £5.7 billion) we have been reorganising our property activities under the new Close Investments banner. We acquired AON's multi-manager business on 1st February, 2007 and we will be merging this with Close TEAMS under the new name, Close Multi-Manager.

Corporate Finance
We had a better than expected second quarter which meant that, with profit of £7.4 million, we ended the period on budget, albeit with activity below the record level last year (£8.8 million).

We maintained a well spread business in the UK with M&A (58%), debt advisory (17%) and restructuring (25%) all remaining busy.

Our offices in Paris and Frankfurt performed well, the former producing a record result for its financial year ended 31st December, 2006.

Our pipeline for the third quarter is healthy.

Securities
In the UK, Winterflood Securities Limited ("WINS") produced a steady result compared to the first half last year on similar revenue, but in Germany, where the new issue market was quiet, Close Brothers Seydler posted lower profits following the exceptional level last year. Overall therefore the operating profit of the division was £20.4 million, compared to £21.8 million last year and the operating margin was 34%.

WINS saw some marked variation in monthly trading patterns. The year started quietly but volumes steadily increased in the months leading up to Christmas. Bargain numbers and profit per bargain were broadly steady compared to the first half last year.

With MiFID on the horizon and considerable discussion about the growth and value of stock exchanges and other trading platforms, it is worth noting that WINS continues to be comfortably the largest market-maker in the retail sector both by number and value of daily bargains. As such WINS is providing liquidity to and dealing on alternative market platforms such as PLUS Markets. A noticeable and increasing number of our trades are therefore now being executed away from the LSE.

There has been a reasonably positive start to our second half although stock markets are currently uncertain.

Banking
The operating profit of our banking division, at £37.4 million nudged ahead of last year (£36.9 million), and we maintained our healthy operating margin of 38%. Loan quality remained good with our bad debt charge at an historically low level of 1.0%. The loan book, however, remained broadly flat as price deflation in our insurance premium business counterbalanced growth in other lending activities – in particular property and transport and engineering.

In the banking market generally liquidity remains high and our experience tells us that at this point in the cycle we should be patient and not seek volume at the expense of margin. Patience, however, does not imply complacency or lack of ambition for growth, and we continue to seek out specialist lending opportunities both in the UK and in Europe. This investment in the future inevitably increases our costs in the short term.

DIRECTORS
Following the Annual General Meeting, Rod Kent succeeded Sir David Scholey as chairman and Strone Macpherson, the senior independent director, was appointed deputy chairman.

OUTLOOK
In our first half we achieved a strong headline profit, excellent results in our asset management division and steady underlying performance in each of our other operating businesses.

Looking forward we expect a satisfactory underlying trading result in our second half with, again, some profitable investment realisations.

C.D. Keogh
Chief Executive

5th March, 2007

CONSOLIDATED INCOME STATEMENT
for the six months ended 31st January, 2007

	Six months ended 31st January, 2007 (Unaudited) £'000	Six months ended 31st January, 2006 (Unaudited) £'000	Year ended 31st July, 2006 (Audited) £'000
Interest and similar income	**149,199**	143,880	281,926
Interest expense and similar charges	**76,806**	70,457	137,624
Net interest income	**72,393**	73,423	144,302
Fees and commissions income	**159,365**	136,095	302,919
Fees and commissions expense	**(24,466)**	(21,508)	(48,913)
Gains less losses arising from dealing in securities	**56,045**	59,334	122,339
Other operating income	**20,624**	5,245	15,627
Other income	**211,568**	179,166	391,972
Operating income	**283,961**	252,589	536,274
Administrative expenses	**171,038**	160,808	346,256
Depreciation and amortisation	**6,067**	6,187	14,083
Impairment losses on loans and advances	**9,062**	9,080	18,621
Total operating costs	**186,167**	176,075	378,960
Operating profit on ordinary activities before tax	**97,794**	76,514	157,314
Tax	**27,118**	22,091	45,280
Profit on ordinary activities after tax	**70,676**	54,423	112,034
Profit attributable to minority interests	**1,829**	1,615	3,436
Profit attributable to shareholders of the company	**68,847**	52,808	108,598
Basic earnings per share on profit attributable to shareholders	**46.8p**	36.0p	74.1p
Diluted earnings per share	**46.7p**	35.9p	73.8p
Dividend per share	**12.0p**	10.5p	32.5p

All income and profits are in respect of continuing operations.

CONSOLIDATED BALANCE SHEET
at 31st January, 2007

	31st January, 2007 (Unaudited) £'000	31st January, 2006 (Unaudited) £'000	31st July, 2006 (Audited) £'000
Assets			
Cash and balances at central banks	**1,384**	1,343	1,272
Settlement accounts	**551,000**	748,247	628,305
Loans and advances to customers	**1,863,215**	1,862,316	1,862,023
Loans and advances to banks	**736,561**	756,809	510,691
Money market securities	**1,059,590**	868,349	1,156,768
Debt securities – long positions	**48,988**	67,343	67,066
Equity shares – long positions	**51,463**	48,167	49,623
Loans to money brokers against stock advanced	**130,140**	172,954	156,420
Investment securities	**40,876**	39,323	43,682
Intangible assets – goodwill	**113,897**	97,926	109,807
Intangible assets – other	**8,995**	2,894	2,623
Property, plant and equipment	**43,009**	40,024	42,549
Share of gross assets of joint ventures	**304**	21,905	21,743
Share of gross liabilities of joint ventures	**(426)**	(21,026)	(20,818)
Share of net (liabilities)/assets of joint ventures	**(122)**	879	925
Other receivables	**79,023**	94,416	87,549
Deferred tax assets	**27,014**	25,180	25,362
Prepayments and accrued income	**77,823**	67,787	63,135
Derivative financial instruments	**5,662**	2,057	5,093
Total assets	**4,838,518**	4,896,014	4,812,893
Liabilities			
Settlement accounts	**471,296**	670,564	573,671
Deposits by customers	**2,027,176**	1,872,967	1,843,074
Deposits by banks	**141,763**	189,626	168,378
Debt securities – short positions	**47,676**	58,247	54,554
Equity shares – short positions	**22,423**	25,479	21,684
Loans from money brokers against stock advanced	**152,499**	186,218	157,356
Non-recourse borrowings	**150,000**	200,000	150,000
Loans and overdrafts from banks	**370,962**	328,154	363,205
Promissory notes and other debt securities in issue	**347,830**	357,564	358,014
Other liabilities	**153,981**	180,432	219,673
Current tax liabilities	**27,558**	18,012	16,766
Accruals and deferred income	**124,065**	107,914	136,791
Subordinated loan capital	**75,000**	75,000	75,000
Derivative financial instruments	**24,639**	11,848	12,370
Total liabilities	**4,136,868**	4,282,025	4,150,536
Equity			
Called up share capital	**36,755**	36,488	36,603
Share premium account	**263,047**	257,393	259,783
Profit and loss account	**386,298**	303,197	346,714
Other reserves	**7,296**	9,648	11,887
Minority interests	**8,254**	7,263	7,370
Total equity	**701,650**	613,989	662,357
Total liabilities and equity	**4,838,518**	4,896,014	4,812,893

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31st January, 2007

	Six months ended 31st January, 2007 (Unaudited) £'000	Six months ended 31st January, 2006 (Unaudited) £'000	Year ended 31st July, 2006 (Audited) £'000
Called up share capital			
Opening balance	**36,603**	36,168	36,168
Exercise of options	**152**	320	435
Closing balance	**36,755**	36,488	36,603
Share premium account			
Opening balance	**259,783**	252,210	252,210
Exercise of options	**3,264**	5,183	7,573
Closing balance	**263,047**	257,393	259,783
Profit and loss account			
Opening balance	**346,714**	277,455	277,455
Retained profit for the period	**68,847**	52,808	108,598
Equity dividends paid	**(31,893)**	(27,301)	(42,524)
Transfer from share-based awards reserve	**1,704**	-	-
Other reserve movements	**926**	235	3,185
Closing balance	**386,298**	303,197	346,714
Other reserves:			
ESOP trust reserve			
Opening balance	**(8,302)**	(3,786)	(3,786)
Shares purchased at cost	**(2,671)**	(2,150)	(4,926)
Shares released at cost	**241**	154	410
Closing balance	**(10,732)**	(5,782)	(8,302)
Share-based awards reserve			
Opening balance	**11,808**	7,614	7,614
Charge to the income statement	**2,022**	1,700	3,307
Transfer to profit and loss account	**(1,704)**	-	-
Movement relating to deferred share awards	**(436)**	-	887
Closing balance	**11,690**	9,314	11,808
Exchange movements reserve			
Opening balance	**938**	1,264	1,264
Currency translation differences	**(657)**	(178)	(326)
Closing balance	**281**	1,086	938
Cash flow hedging reserve			
Opening balance	**133**	(1,843)	(1,843)
Movement on derivatives during the period	**(405)**	987	1,976
Closing balance	**(272)**	(856)	133
Available-for-sale reserve			
Opening balance	**7,310**	3,431	3,431
Movement on available-for-sale investments	**(981)**	2,455	3,879
Closing balance	**6,329**	5,886	7,310
Total other reserves	**7,296**	9,648	11,887
Minority interests			
Opening balance	**7,370**	5,870	5,870
Movement during the period	**884**	1,393	1,500
Closing balance	**8,254**	7,263	7,370
Total equity	**701,650**	613,989	662,357

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31st January, 2007

	Note	Six months ended 31st January, 2007 (Unaudited) £'000	Six months ended 31st January, 2006 (Unaudited) £'000	Year ended 31st July, 2006 (Audited) £'000
Net cash inflow from operating activities	1(a)	**176,512**	81,028	153,418
Net cash outflow from investing activities:				
Dividends paid to minority interests		**(490)**	(25)	(1,669)
Purchase of assets let under operating leases		**(4,116)**	(7,807)	(13,865)
Purchase of property, plant and equipment		**(5,907)**	(3,318)	(8,121)
Sale of property, plant and equipment		**2,279**	2,361	4,155
Purchase of intangible assets		**(442)**	(1,472)	(2,447)
Purchase of equity shares held for investment		**(8,919)**	(2,150)	(9,911)
Sale of equity shares held for investment		**26,806**	3,286	11,168
Minority interests acquired for cash		**(4,730)**	(2,403)	(2,853)
Purchase of subsidiaries	1(b)	**(9,411)**	(736)	(11,258)
		(4,930)	(12,264)	(34,801)
Net cash inflow before financing		**171,582**	68,764	118,617
Financing activities:				
Issue of ordinary share capital including premium		**3,416**	5,503	8,008
Equity dividends paid		**(31,893)**	(27,301)	(42,524)
Interest paid on subordinated loan capital		**(2,822)**	(3,058)	(5,616)
Net increase in cash		**140,283**	43,908	78,485

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 International Accounting Standard No. 7, cash is not treated as cash flow from operating activities but is required to be shown separately in accordance with the format above.

1. Consolidated cash flow statement

	Six months ended 31st January, 2007 (Unaudited) £'000	Six months ended 31st January, 2006 (Unaudited) £'000	Year ended 31st July, 2006 (Audited) £'000
(a) Reconciliation of operating profit on ordinary activities before tax to net cash inflow from operating activities			
Operating profit on ordinary activities before tax	**97,794**	76,514	157,314
(Increase)/decrease in:			
Interest receivable and prepaid expenses	**(14,688)**	(3,389)	1,886
Net settlement accounts	**(25,070)**	(34,164)	(11,115)
Net equity shares held for trading	**(1,101)**	(2,735)	(7,986)
Net debt securities held for trading	**11,200**	2,621	(795)
Decrease in interest payable and accrued expenses	**(12,726)**	(28,975)	(1,877)
Depreciation and amortisation	**6,067**	6,187	14,083
Net cash inflow from trading activities	**61,476**	16,059	151,510
(Increase)/decrease in:			
Debt securities held for liquidity	**11,005**	(253)	(10,890)
Loans and advances to customers	**(1,192)**	76,887	77,180
Loans and advances to banks not repayable on demand	**474**	2,732	5,716
Other assets less other liabilities	**(32,116)**	44,108	83,350
Increase/(decrease) in:			
Deposits by banks	**(26,615)**	81,525	60,277
Customer accounts	**184,102**	54,780	24,887
Bank loans and overdrafts	**7,757**	(166,209)	(131,158)
Non-recourse borrowings	**-**	-	(50,000)
Promissory notes and other debt securities in issue	**(10,184)**	(9,566)	(9,116)
Tax paid	**(18,195)**	(19,035)	(48,338)
Net cash inflow from operating activities	**176,512**	81,028	153,418
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries			
Cash consideration in respect of current year purchases	**(4,880)**	-	(6,797)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(4,531)**	(736)	(4,847)
Net movement in cash balances	**-**	-	386
	(9,411)	(736)	(11,258)
(c) Analysis of changes in financing			
Share capital (including premium) and subordinated loan capital:			
Opening balance	**371,386**	363,378	363,378
Shares issued for cash	**3,416**	5,503	8,008
Closing balance	**374,802**	368,881	371,386

(d) Analysis of cash balances	Movement in the period £'000	2007 £'000	2006 £'000	2006 £'000
Cash and balances at central banks	**112**	**1,384**	1,343	1,272
Other cash equivalents	**140,171**	**1,785,051**	1,610,232	1,644,880
	140,283	**1,786,435**	1,611,575	1,646,152

THE NOTES

2. Earnings per share

Basic earnings per share on profit attributable to shareholders of the company is based on profit after tax and minority interests of £68,847,000 (2006: £52,808,000) and on 147,083,000 (2006: 146,523,000) ordinary shares, being the weighted average number of shares in issue and contingently issuable during the year excluding those held by the employee benefit trust.

Diluted earnings per share is based on this same profit after tax and minority interests, but on 147,502,000 (2006: 146,969,000) ordinary shares, being the weighted average number of shares in issue disclosed above, plus the weighted dilutive potential on ordinary shares of exercisable employee options in issue during the year.

3. Basis of preparation

This Interim Report, which is unaudited, has been prepared on the basis of the accounting policies set out in the 2006 Annual Report. The financial information contained in this Interim Report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. However, the information has been reviewed by the company’s auditors, Deloitte & Touche LLP, and their report appears at the end of this report.

The financial information for the year ended 31st July, 2006 has been derived from the audited financial statements of Close Brothers Group plc for that year, which have been reported on by Deloitte & Touche LLP and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

INDEPENDENT REVIEW REPORT

Independent Review Report to Close Brothers Group plc

Introduction
We have been instructed by the company to review the financial information for the six months ended 31st January, 2007, which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes 1 to 3. We have read the other information contained in the Interim Report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report or for the conclusions we have formed.

Directors' responsibilities
The Interim Report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Listing Rules of the Financial Services Authority and the requirements of International Accounting Standard 34 "Interim Financial Reporting" which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of Interim Financial Information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31st January, 2007.

Deloitte & Touche LLP
Chartered Accountants
London

5th March, 2007