

The background of the cover is a close-up, shallow depth-of-field photograph of several parallel metal tubes or pipes. The tubes are arranged in a perspective that recedes into the distance. The lighting is soft and diffused, highlighting the metallic texture and the circular openings of the tubes. The overall color palette is a range of blues and greys, creating a clean, industrial, and modern aesthetic.

Close Brothers Group plc
Annual Report 2015



Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading.

Welcome to Modern Merchant Banking

The photography within this Annual Report was photographed on location at our clients' businesses. We would like to thank them for their generous support and cooperation.

Modern Merchant Banking





Modern Merchant Banking is about meeting the financial needs of our clients today while applying the traditional values of our past.

At Close Brothers we provide financial support and advice to small businesses and individuals in the UK. Our clients are the makers of things, the wealth creators, the investors, and the savers. They are playing an important role driving growth in the British economy and we are supporting them as they grow.

Throughout our distinguished history, we have remained focused on upholding our traditional values, based on service and integrity. At the same time, we encourage innovation and support enterprise, reflecting how our clients do business.

This is Modern Merchant Banking at Close Brothers. We believe our traditional values and modern thinking are the reason behind our success and why our clients continue to turn to us.

Overleaf: Photographed on location at G&H Sheet Fed Ltd.

Inset: Photographed on location at Alicat Workboats Ltd.

Financial Highlights

for the year ended 31 July 2015

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£224.9m

(2014: £193.7m)
Adjusted¹ operating profit from continuing operations

£219.9m

(2014: £188.8m)
Operating profit before tax from continuing operations

£185.7m

(2014: £149.8m)
Profit attributable to shareholders from continuing and discontinued operations

120.5p

(2014: 101.0p)
Adjusted² basic earnings per share from continuing operations

117.8p

(2014: 98.4p)
Basic earnings per share from continuing operations

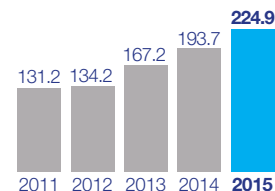
53.5p

(2014: 49.0p)
Ordinary dividend per share³

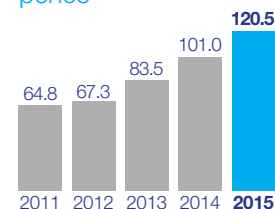
19.5%

(2014: 17.9%)
Return on opening equity⁴ from continuing operations

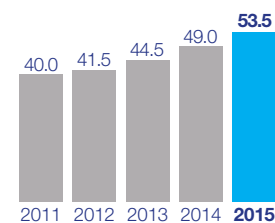
Adjusted operating profit from continuing operations
£ million



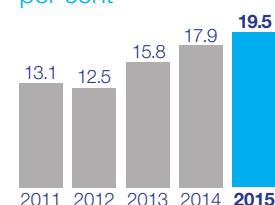
Adjusted basic earnings per share from continuing operations
pence



Ordinary dividend per share
pence



Return on opening equity from continuing operations
per cent



1 Stated before amortisation of intangible assets on acquisition. A reconciliation to operating profit before tax is shown on page 15.

2 Stated before amortisation of intangible assets on acquisition and the tax effect of such adjustment.

3 Represents the final dividend proposed for the respective years together with the interim dividend declared and paid in those years.

4 Return on opening equity calculated as adjusted operating profit after tax and non-controlling interests on opening equity less non-controlling interests.

Note: The disposal of Close Brothers Seydler was completed on 5 January 2015. The profit on disposal of £10.3 million and profit after tax of £0.9 million have been classified as discontinued operations and the 2014 results have been restated. 2011 to 2013 results have not been restated.





Strategic Report

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Chairman's and Chief Executive's Statement



Strone Macpherson,
Chairman



Preben Prebensen,
Chief Executive

We are pleased to report another year of strong performance for Close Brothers with good results across all of our businesses. After successive years of exceptional growth the group is in better shape than ever, which means we are well positioned to invest in supporting and extending our tried and tested business model and continue to deliver sustainable growth over the long term.

Another Year of Strong Performance

We are pleased to report another year of strong performance across the group, driven by continued good performance from the Banking division and steady growth in Asset Management. This once again demonstrates the robustness of our business model which supports our long-term track record and financial performance.

The Banking division achieved strong profit growth, benefiting from the high quality loan book growth in recent years and lower impairments. Winterflood experienced difficult market conditions in the first half but continued to trade profitably and has delivered a solid result for the full year. Asset Management is continuing to see good demand for its high quality advice and wealth management services, supporting growth in client assets and improving profitability.

We remain fully committed to our strategy of building leading positions in niche markets, through strong customer relationships. As the markets that we operate in continue to evolve, particularly for the Banking division, we will continue to invest in our people, products and systems, to both protect our positioning within existing markets, and extend our reach into new areas to support future growth.

We remain committed to delivering this growth and investment, whilst maintaining a strong and prudent financial position, allowing us to support our customers, grow our businesses and deliver sustainable shareholder returns in all market conditions.

Strong Financial Position

Overall, the group delivered adjusted operating profit growth of 16% to £224.9 million (2014: £193.7 million), and adjusted earnings per share growth of 19% to 120.5p (2014: 101.0p). As a result, we have delivered a further improvement in return on opening equity to 19.5% (2014: 17.9%).

Our strong and prudent financial position has again been strengthened in the period, by further diversifying our sources of funding to include the government's Funding for Lending Scheme and continued improvement in our capital position, with a common equity tier 1 ratio of 13.7% (31 July 2014: 13.1%), and a leverage ratio of 10.2% (31 July 2014: 9.2%).

Our prudent approach, strong financial position and consistent track record have resulted in Moody's upgrading our credit rating to A3/P2 for Close Brothers Group and Aa3/P1 for Close Brothers Limited, both with stable outlooks, making us one of the highest rated banks in the UK.

In line with our commitment to delivering sustainable, progressive dividend growth for our shareholders, and to reflect our continued strong financial performance, the board has recommended a 9% increase in the final dividend to 35.5p (2014: 32.5p). This gives a total dividend per share for the full year of 53.5p (2014: 49.0p) making 2015 our fifth successive year of growing our dividend.

Consistent Profitability and Returns over the Long Term

The Banking division continued its good performance, delivering its sixth consecutive year of double-digit profit growth. Adjusted operating profit increased 15% to £208.7 million (2014: £181.6 million), reflecting good loan book growth over the last year, a strong net interest margin of 8.8%, and a further decline in impairments. This consistent performance illustrates the strength of our business model, focusing on our local presence in specialist markets, building strong client relationships, underpinned by prudent underwriting criteria.

As we continue to see a gradual increase in the supply of credit with a return of competition in some of our key markets, we will maintain the same approach that has served us well through previous cycles, maintaining our margins and continuing to price risk appropriately rather than chasing growth. We will remain focused on our core attributes which differentiate us and underpin our long track record of profitable growth through the cycle, namely the expertise of our people within their specific fields, our high levels of repeat business and local underwriting responsibility. We will also ensure that the profile of our lending, which is predominantly short-term, secured and diversified across industry sectors, remains consistent.

We continue to see opportunities for growth in the Banking division, both through our well established distribution network of over 500 direct sales people as well as specialist intermediaries including motor dealers and insurance brokers, and through initiatives looking at entry into adjacent markets which suit our specialist model and underwriting criteria.

Chairman's and Chief Executive's Statement continued

Winterflood experienced mixed market conditions during the year but continues to benefit from its unique business model which allows us to provide continuous liquidity for our clients and trade profitably even in challenging market conditions, thereby maintaining our market leading position. Lower activity and periods of increased volatility in the first half resulted in an increase in the number of loss days, but conditions improved in the second half and good performance in our investment trusts business ensured that adjusted operating profit reduced by just 8% to £24.6 million (2014: £26.6 million).

In the first half we completed the sale of Close Brothers Seydler, our German securities business which has been treated as a discontinued operation.

Our Asset Management business continues to make good progress, with its high quality integrated financial planning advice and investment management proposition proving popular with clients. We achieved good growth in the period with gross inflows into our managed assets up 31% year-on-year to £1.5 billion (31 July 2014: £1.1 billion). We continue to see good demand for our discretionary Close Portfolio Funds which now total close to £3 billion under management, the majority of which delivered top quartile performance over the last year. This growth is driving further improvement in profitability with adjusted operating profit increasing to £17.8 million (2014: £9.9 million), including a £4.4 million benefit from our former private equity business.

Our business remains well positioned to benefit from ongoing changes in the market and regulatory environment, such as the recently announced pension freedoms legislation which we expect to increase the overall demand for retail advice and wealth management over the longer term.

Investing for the Long Term

Our strong financial position and good levels of profitability also mean that we have the financial resources to continuously invest in our people, products and systems to adapt as markets evolve, and to enhance and diversify our client offering and improve the delivery of services to our clients.

Our high touch business model and client led approach is dependent upon the knowledge and experience of our people and our shared values of integrity, prudence and commitment to service. Therefore, attracting, retaining and developing talent in each of our specialist fields is key to our longer term success. To further develop our employees, we have introduced a sales training programme for new recruits in our asset finance business, and to maximise productivity and enhance the client experience in Asset Management, we are investing in the training and development of our professional adviser force and creating regional practices which are supported by expanded client service teams.

We have a long history of supporting SMEs across the UK and currently provide £3.5 billion of lending to these growing businesses. To further demonstrate our ongoing commitment to supporting SMEs we have created an apprenticeship scheme. The Close Brothers SME Apprentice Programme will provide funding for up to 20 apprentices per annum for the next three years with the aim of enabling SMEs that would otherwise be unable to afford to take on and train additional staff to grow and expand their businesses.

While we are predominantly a people driven business, we also continuously invest in our systems to both improve our client proposition and the accessibility of our products and services as well as protect our client data. During the year we have further strengthened our IT function within the Banking division to deliver improvements to our client proposition and increase our efficiency and speed to market. We have rolled out a number of new initiatives in recent years including system upgrades in Property and Treasury to improve efficiency and we are now enhancing our processes in premium finance. Winterflood invests continuously to support its market leading, proprietary technology and Asset Management is benefiting from the investment made in our technology platform in recent years.

Ongoing regulatory reform remains a significant challenge in the banking sector, but with our strong client focus, straightforward products and prudent approach we are well positioned. Monitoring and implementing this regulatory change is resource intensive and we continue to invest in our people and systems to ensure we continue to meet increasing regulatory reporting requirements and operate in the best interests of our clients. Specifically, in response to the increased focus on risk and compliance across our industry and a greater level of oversight, we have reorganised and strengthened our group wide risk and compliance functions.

Management and Board Changes

As previously announced, after 27 years with the business, Julian Palfreyman retired from his position as chief executive of Winterflood at the end of the financial year. Philip Yarrow has taken over as chief executive, having previously been the head of electronic trading at Winterflood since 2000. We would like to thank Julian for his significant contribution to the business over many years and wish him well for the future.

Additionally, Robert Sack joined Close Brothers in April 2015 as group risk officer and is a member of the Executive Committee. Robert has held a number of senior roles at other financial institutions and brings a wealth of risk management experience to his new role within the group.

As planned, Bruce Carnegie-Brown stood down from the board in November 2014. Following Bruce's departure, Bridget Macaskill was appointed chairman of the Remuneration Committee and Geoffrey Howe was appointed senior independent director.

Outlook

We remain confident that our strategy and proven business model will continue to deliver both attractive propositions for our clients, and long-term value for our shareholders.

We see continued opportunities for growth in the Banking division, whilst maintaining our prudent risk profile and focus on returns.

Winterflood is well positioned but remains sensitive to market conditions.

In Asset Management we expect to see continued net inflows and increasing profitability.

Overall, the group remains well positioned to continue to deliver good results.



Photographed on location at Haynes Ford LTD.

Business Model

Our model is underpinned by our focus on service, expertise and relationships across our businesses. These attributes are fundamental to our client proposition, allowing us to support our clients and create and sustain value for shareholders in all market conditions.



We support our business model by managing our financial resources prudently, employing talented and engaged employees, and investing to enhance our client proposition and protect and extend our successful business model for the long term.

Managing our resources prudently

Our prudent and efficient balance sheet ensures we can serve our clients and deliver growth in all market conditions.

- We borrow longer than we lend, and maintain a prudent level of liquidity, predominantly in deposits with the Bank of England.
- We have access to diverse funding sources, including retail and corporate deposits, securitisations, bilateral loan facilities and the public debt markets.
- We match assets and liabilities, to minimise exposure to short-term movements in interest rates.
- We maintain a prudent capital position to ensure we have the resources to grow throughout the cycle, and can absorb any changes in regulatory requirements.

Employ talented and engaged employees

The expertise of our people is fundamental to understanding and meeting clients' needs and ensuring high quality decision making.

- We invest significantly in recruitment, training and development, whether employing school leavers, graduates or experienced professionals.
- Our employee survey demonstrates strong employee engagement and job satisfaction across the group.
- We encourage and reward entrepreneurship and innovation.
- We ensure our compensation structures are fair, transparent and competitive, and balance long and short-term objectives.
- We are committed to providing equal opportunities and promoting a culture of diversity in the work place.

Invest to strengthen our client proposition

We continuously invest to protect, support and extend our business model to ensure it is sustainable for the long-term.

- We strengthen our distribution networks by hiring and training new sales teams and financial advisers.
- We continuously evaluate and implement new technology to support and enhance the speed and quality of our client service.
- We always look for ways to improve client processes to increase efficiency and ensure the highest level of customer focus.
- We explore new ways to extend our successful business model into adjacent areas.
- We invest in our brand to increase client awareness and leverage our strong reputation.

Business Model *continued*

How we are different

	Banking	Securities
<p>Our services</p> <p>We focus on straightforward products and services in markets we know and understand.</p> <p>The expertise of our people allows us to provide flexible solutions to meet individual client needs.</p>	<p>The Banking division provides a range of specialist lending products to UK SMEs, as well as specialist instalment payment solutions to UK retail borrowers. We also offer deposit-taking services to businesses and individuals, which form an important part of our funding along with wholesale facilities.</p>	<p>Winterflood is a leading market-maker in the UK, providing dealing and execution services principally to financial institutions. We are committed to providing continuous liquidity allowing our clients to trade securities in all market conditions.</p>
<p>Our market position</p> <p>We are a trusted brand developed over the last 100 years with a strong reputation in the financial services market.</p> <p>We have built leading market positions in a number of specialised businesses.</p> <p>We have a long track record of support for our clients and strong financial performance in all market conditions.</p>	<p>We have a strong and established market position in each of our specialist areas. Overall our loan book is £5.7 billion across several specialist markets in asset, invoice, property development, motor and insurance premium finance. We have always recognised the importance of building long-term client relationships, generating high levels of repeat business across the division.</p>	<p>Winterflood is a leading market-maker in the UK, with around 400 financial institutions as clients, and covering around 15,000 securities in the UK and overseas. We also have a specialist team focused on investment trusts. Our strong market position ensures high levels of order flow, allowing us to offer competitive prices and provide liquidity to our clients in all market conditions.</p>
<p>Our expertise</p> <p>We understand our specialist markets and our clients' needs, ranging from small businesses to private investors and retail brokers.</p> <p>Our decentralised model enables personal service, with extensive local presence across the UK.</p>	<p>Our lenders are specialists with a deep knowledge of the industry sectors and asset classes we lend in, and oversee all lending decisions from origination to maturity with authority to make decisions. This means we understand our clients and can offer fast and flexible solutions, while supporting our long track record of pricing risk appropriately. We have a local presence across the UK with a large direct sales force, as well as an intermediated distribution network through credit brokers, motor dealers and insurance brokers.</p>	<p>Winterflood is differentiated by the skill and experience of our people; our traders have extensive experience in executing client orders and are united by a strong culture focused on traditional market-making. They are supported by our market leading, proprietary technology, which allows us to deliver flexible client solutions and provides access to a deep pool of internal liquidity.</p>
<p>Sustainable income</p> <p>We focus on recurring income streams and manage our financial resources carefully.</p> <p>We apply our strategy consistently to support sustainable earnings growth.</p>	<p>Income in the Banking division reflects the difference between the interest and fee income we earn on loans to customers and the cost of our funding. We have sustained a consistently strong net interest margin through the cycle, thanks to our high level of service and consistent pricing of risk.</p>	<p>The majority of Winterflood's income reflects the trading profit on its market-making. Although the level of income fluctuates, we have a long track record of trading profitably in a range of market conditions. Winterflood also earns corporate fees in its investment trust business, which advises on primary and secondary capital raisings.</p>
	<p>Read more about Banking on pages 20 to 23.</p>	<p>Read more about Securities on pages 24 to 25.</p>

Asset Management

The Asset Management division provides a complete wealth management service for individuals, incorporating both financial planning advice and investment management. We also offer a range of multi-asset investment strategies, available to both our own financial advisers and third party IFAs and other intermediaries.

We have a long history of advising clients and managing their investments and an established reputation in the market. In recent years we have enhanced our integrated model comprising financial planning advice, investment management and platform technology, which puts us in a strong position to benefit from pension reforms and changes to regulation, technology and demographics. We have increased our client assets over the last several years to nearly £11 billion today.

We employ financial advisers throughout the UK who provide advice on a full range of issues and help our clients establish long-term financial plans. We offer a wide range of investment solutions designed to meet the varying needs of our clients, supported by a high quality investment process delivered through an experienced team covering asset allocation, research and portfolio management.

Our Asset Management business builds long-term relationships with clients, which generate recurring and sustainable fee-based income for the provision of financial advice and investment management services.

[Read more about Asset Management on pages 26 to 27.](#)



Photographed on location at Winterflood Securities Limited.

Strategy and Key Performance Indicators

Our strategy is to build and sustain strong market positions in specialist markets, where we can differentiate ourselves through the expertise of our people and by providing superior service to our clients.

This is supported by a prudent approach to managing our business and our financial resources, and ongoing investment in our people, systems and services.

Strategic objectives	2015 progress	Future objectives
<p>Build leading market positions</p> <p>Build strong market positions, using our expertise to provide excellent client service and develop long-term client relationships.</p>	<ul style="list-style-type: none"> Continued increase in lending to small businesses and individuals, with 8.5% loan book growth to £5.7 billion. Maintained Winterflood's position as the leading market-maker to retail brokers in the UK. 11% growth in total client assets with strong investment management inflows in Asset Management. 	<ul style="list-style-type: none"> Grow the loan book while maintaining prudent and consistent lending criteria. Explore new opportunities that leverage our core capabilities in adjacent markets. Grow client assets to increase the scale of our Asset Management business.
<p>Remain prudent and efficient</p> <p>Hold an appropriate level of capital, funding and liquidity in all market conditions.</p>	<ul style="list-style-type: none"> Maintained capital levels comfortably ahead of regulatory requirements. Further diversified funding sources through access to the Funding for Lending Scheme and maintained a prudent maturity profile. Close Brothers Limited's credit rating upgraded by Moody's to Aa3, making us one of the highest rated banks in the UK. 	<ul style="list-style-type: none"> Maintain a prudent capital position to ensure flexibility to deliver growth and absorb any changes in regulatory requirements. Maintain access to a diverse range of funding sources, optimise price and maturity, and hold a prudent level of liquidity.
<p>Develop our client proposition</p> <p>Invest in people, technology, and products and services to enhance the proposition to our clients.</p>	<ul style="list-style-type: none"> Launched new recruitment and training initiatives to attract and develop sales and advisory talent. Targeted investment in IT infrastructure and processes to improve client proposition and efficiency. Constant focus on customer service resulting in strong customer feedback and high levels of repeat business across the Banking division. 	<ul style="list-style-type: none"> Further optimise the scale and effectiveness of our direct sales force and adviser base. Ensure we continue to consider clients' needs, ability to pay and appropriateness of our service, and provide clear and transparent communications to clients. Maintain a programme of improving and upgrading our technology to further enhance resilience, efficiency and customer experience.
<p>Deliver growing and sustainable earnings</p> <p>Consistently apply our business model to generate high quality, recurring earnings and sustain a strong financial position.</p>	<ul style="list-style-type: none"> Strong growth in adjusted operating profit now up 68% in three years. Continued solid earnings growth in Banking, increasing profitability in Asset Management and resilient profitability in Winterflood despite challenging markets. 	<ul style="list-style-type: none"> Maintain strong returns in Banking through commitment to our lending model. Maximise profitability for Winterflood in all market conditions. Drive operating leverage in Asset Management through growth in client assets.
<p>Deliver attractive shareholder returns</p> <p>Generate sustainable shareholder returns through earnings growth and prudent management of our financial resources.</p>	<ul style="list-style-type: none"> Strong and improving return on opening equity. Fifth consecutive year of dividend growth, up 9% to 53.5p for the full year. Total shareholder returns of 18% in the year and 119% in three years. 	<ul style="list-style-type: none"> Continue to execute our established business model and manage our financial resources prudently. Maintain appropriate dividend cover to support progressive and sustainable dividend growth. Remain committed to clear and transparent communication with shareholders and other external stakeholders.

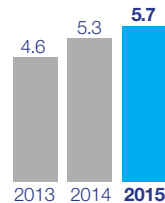
This in turn allows us to support our clients in all market conditions, while generating sustainable returns for our shareholders, and is demonstrated by our long track record of profitability at all stages of the economic cycle.

Key risks¹

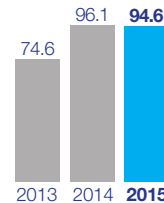
Key performance indicators²

- Increased competition in our markets.
- Changes in technology, consumer habits or market structure.
- Loss of key employees.

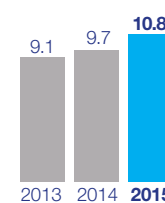
Loan book
£ billion



Winterflood's income
£ million

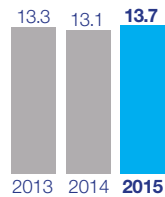


Total client assets
£ billion

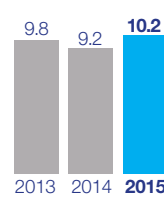


- Changes in European or UK capital regulatory requirements.
- Changes in the market price or availability of funding.

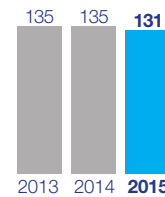
Common equity tier 1 capital
per cent



Leverage ratio
per cent

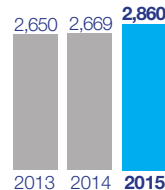


Funding % loan book
per cent

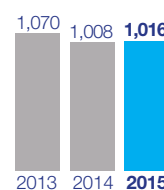


- Inability to attract and retain the required talent.
- Failure in processes or controls or lack of transparency in communication.
- Failure to support and upgrade technology resulting in loss of client data, security breaches or loss of competitiveness.

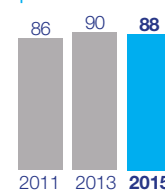
Total headcount



Front office headcount

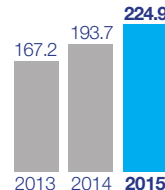


Employees satisfied/
very satisfied³
per cent

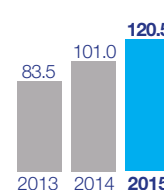


- Changes in the economic environment adversely affecting borrowers' ability to pay.
- Failure to invest as required in people, technology, products and services.

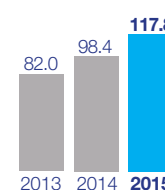
Adjusted operating profit
£ million



Adjusted basic earnings per share
pence

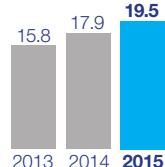


Basic earnings per share
pence

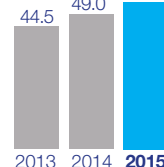


- Failure to maintain our business model or execute on key elements of strategy.
- Changes in regulation or taxation.
- Major legal or regulatory event resulting in fines or compensation payments.

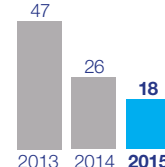
Group return on opening equity
per cent



Dividend per share
pence



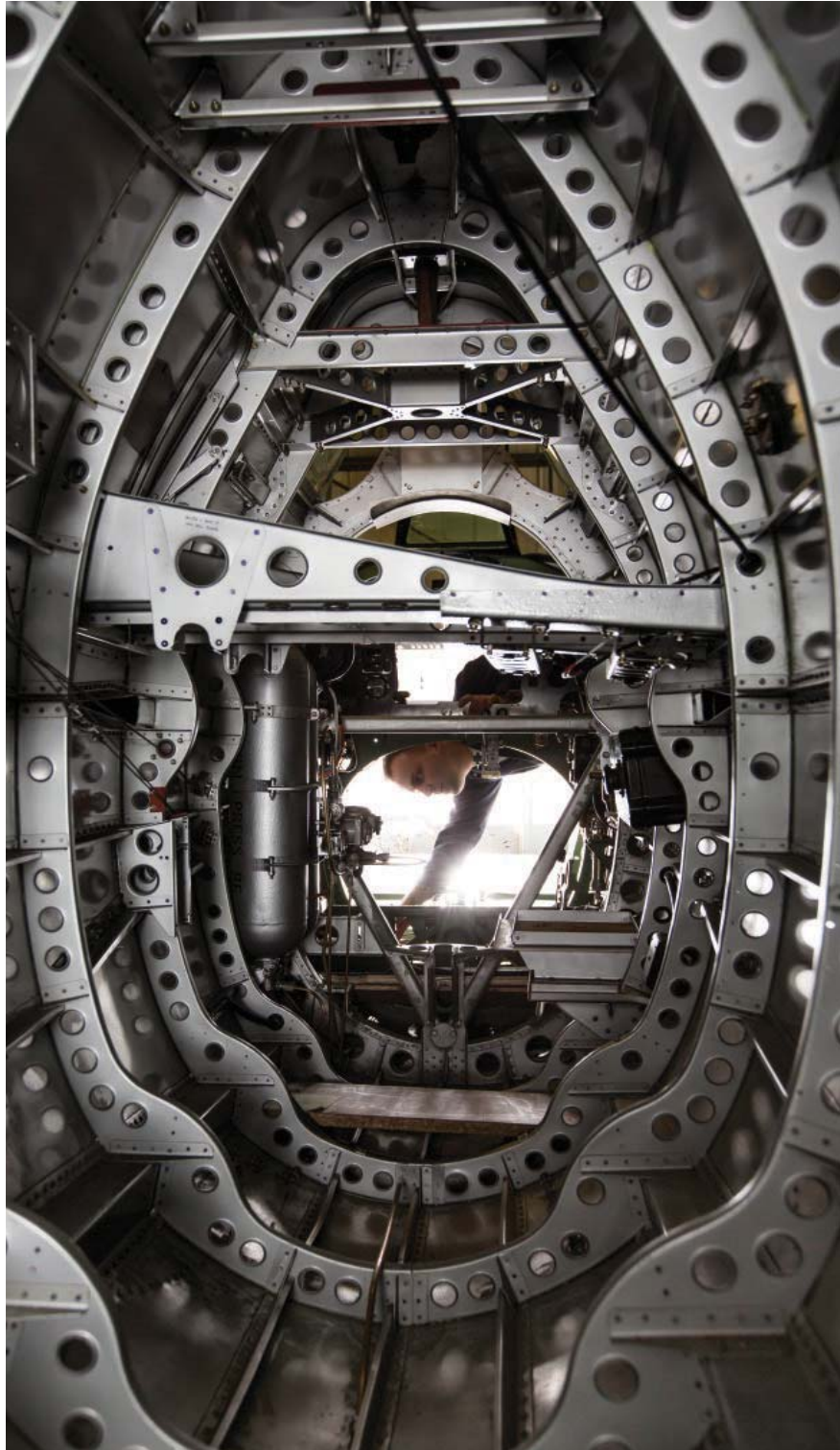
Total shareholder return
per cent



1 Further information on principal risks and uncertainties is provided on pages 28 to 31.
 2 Key performance indicators have been restated to exclude Seydler for 2014 and 2015 only.
 3 Our employee survey is run on a biennial basis, chart shows results from latest three surveys.

Financial Overview

Close Brothers has delivered another year of strong performance, with adjusted operating profit growth of 16% to £224.9 million (2014: £193.7 million), adjusted earnings per share ("EPS") growth of 19% to 120.5p (2014: 101.0p) and a further improvement in return on opening equity to 19.5% (2014: 17.9%).



Photographed on location at Biggin Hill Heritage Hangar Ltd.

Continued Strong Performance

All three of our divisions delivered a good performance in 2015. The Banking division remains the key driver of the group's growth, delivering a 15% uplift in adjusted operating profit to £208.7 million (2014: £181.6 million), with 8.5% loan book growth to £5.7 billion, helped by a strong net interest margin and further improvement in the bad debt ratio. Winterflood experienced difficult trading conditions in the first half but remained consistently profitable, delivering £24.6 million adjusted operating profit (2014: £26.6 million) in the period as strong performance in the investment trust business and a one-off investment gain helped to offset weaker trading revenues. Asset Management continues to make progress in growing client assets and underlying profitability, as well as benefiting from non-recurring income related to our former private equity business, to deliver 80% adjusted operating profit growth to £17.8 million (2014: £9.9 million).

Total revenues increased 10% year-on-year to £689.5 million (2014: £627.9 million) driven primarily by strong growth in net interest and fee income in the Banking division and further growth in Asset Management, although income in Securities declined marginally.

We continue to invest in people, products and systems to sustain and further develop our business model. As a result adjusted operating expenses increased 8% to £422.7 million (2014: £390.1 million) primarily driven by higher volume related costs and continued investment to support growth in the Banking division. Securities costs have remained broadly stable, while costs in Asset Management increased only modestly reflecting the operating leverage in the division.

Overall, the expense/income and compensation ratios (total staff costs on adjusted operating income) both improved to 61% (2014: 62%) and 36% (2014: 37%) respectively.

The group continues to benefit from its disciplined approach to underwriting and primarily secured lending model as well as the benign credit environment. As a result, impairment losses declined and the bad debt ratio fell for the sixth consecutive year to 0.8% (2014: 0.9%), despite the strong loan book growth over the same period.

Overall, this resulted in strong adjusted operating profit growth of 16% to £224.9 million (2014: £193.7 million) which includes the group expenses of £26.2 million (2014: £24.4 million). The operating margin increased slightly to 33% (2014: 31%).

Group Income Statement

	2015 £ million	2014 £ million	Change %
Adjusted operating income	689.5	627.9	10
Adjusted operating expenses	(422.7)	(390.1)	8
Impairment losses on loans and advances	(41.9)	(44.1)	(5)
Adjusted operating profit	224.9	193.7	16
Banking	208.7	181.6	15
Securities	24.6	26.6	(8)
Asset Management	17.8	9.9	80
Group	(26.2)	(24.4)	7
Amortisation of intangible assets on acquisition	(5.0)	(4.9)	2
Operating profit before tax	219.9	188.8	16
Tax	(45.4)	(43.2)	5
Non-controlling interests	-	(0.4)	
Profit attributable to shareholders from continuing operations	174.5	145.2	20
Profit from discontinued operations, net of tax	11.2	4.6	
Profit attributable to shareholders from continuing and discontinued operations	185.7	149.8	24
Adjusted basic earnings per share (continuing operations)	120.5p	101.0p	19
Basic earnings per share (continuing operations)	117.8p	98.4p	20
Basic earnings per share (continuing and discontinued operations)	125.4p	101.5p	24
Ordinary dividend per share	53.5p	49.0p	9
Return on opening equity	19.5%	17.9%	

Financial Overview continued



Photographed on location at Piling Equipment Ltd.

After amortisation of intangible assets of £5.0 million (2014: £4.9 million), profit attributable to shareholders increased 20% to £174.5 million (2014: £145.2 million). The effective tax rate declined to 21% (2014: 23%), in line with the UK corporation tax rate.

In July 2015, draft legislation was published in relation to a corporation tax surcharge of 8% on banking sector profits from 1 January 2016, together with a reduction in the underlying corporation tax rate from 20% to 18% by 2020. We will continue to monitor this legislation and its impact on our tax rate.

Our adjusted EPS from continuing operations increased 19% or 19.5p to 120.5p (2014: 101.0p), ahead of the 16% increase in adjusted operating profit due to the reduction in effective tax rate.

Our reported basic EPS, which includes amortisation of intangible assets, increased 20% to 117.8p (2014: 98.4p) on a continuing basis. Basic EPS including continuing and discontinued operations increased 24% to 125.4p (2014: 101.5p), which includes the trading result and profit on disposal of Close Brothers Seydler.

Simple and Transparent Balance Sheet

During the year, the overall structure of the group's high quality and transparent balance sheet has remained unchanged, and we have maintained our prudent capital, funding and liquidity positions. Our balance sheet remains simple and is predominantly made up of loans and advances to customers, which are short-term in nature and over 90% secured, cash and loans and advances to banks and settlement balances held within our Securities division. Total assets increased by £256.9 million to £8.0 billion, due to an 8.5% increase in loans and advances to customers to £5,737.8 million (31 July 2014: £5,289.7 million) which account for the significant majority of the balance sheet at 72% (31 July 2014: 69%) of assets. Borrowings increased £351.6 million to £1,792.6 million (31 July 2014: £1,441.0 million) to fund the loan book growth.

Net settlement balances declined £34.8 million to £77.6 million due to the disposal of Close Brothers Seydler and lower trading activity at Winterflood.

Total equity increased to £1,009.9 million (31 July 2014: £917.6 million) reflecting strong profitability in the year, partially offset by dividend payments of £74.3 million. The return on group assets improved to 2.3% from 1.9% in 2014.

Diverse and conservative funding position

Our conservative approach to funding and liquidity is a core part of our business model. Our Treasury function provides funding for our lending businesses from a diverse range of sources, including retail and corporate customer deposits, secured and unsecured loan facilities and bonds, and maintains a prudent maturity profile at all times. As a result, we expect to meet the requirements for the new funding and liquidity ratios proposed under the Capital Requirements Directive ("CRD IV") when they come into force.

In 2015 we have taken advantage of favourable market conditions to strengthen our funding position whilst at the same time reducing the overall funding costs for our business. We have further diversified our funding sources by drawing down £375 million from the government's Funding for Lending Scheme secured against a portion of the asset finance loan book. We have also renewed £945 million of facilities and since the year end we have completed a private placement of a €25 million bond.

Group Balance Sheet

	31 July 2015 £ million	31 July 2014 £ million
Assets		
Cash and loans and advances to banks	1,122.6	1,259.2
Settlement balances, long trading positions and loans to money brokers	481.9	634.8
Loans and advances to customers	5,737.8	5,289.7
Non-trading debt securities	135.4	45.6
Intangible assets	144.2	146.3
Other assets	335.4	324.8
Total assets	7,957.3	7,700.4
Liabilities		
Settlement balances, short trading positions and loans from money brokers	404.3	522.4
Deposits by banks	35.1	49.6
Deposits by customers	4,481.4	4,513.7
Borrowings	1,792.6	1,441.0
Other liabilities	234.0	256.1
Total liabilities	6,947.4	6,782.8
Equity	1,009.9	917.6
Total liabilities and equity	7,957.3	7,700.4

Group Funding

	31 July 2015 £ million	31 July 2014 £ million	Change £ million
Deposits by customers	4,481.4	4,513.7	(32.3)
Drawn and undrawn facilities ¹	1,512.2	1,191.2	321.0
Senior unsecured bonds	516.8	505.4	11.4
Equity	1,009.9	917.6	92.3
Total available funding	7,520.3	7,127.9	392.4

¹ Includes £245.0 million (31 July 2014: £265.0 million) of undrawn facilities and excludes £8.6 million (31 July 2014: £9.4 million) of non-facility overdrafts included in borrowings.

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	3,330.9	851.2	299.3	4,481.4
Drawn and undrawn facilities	152.2	643.4	716.6	1,512.2
Senior unsecured bonds	18.5	199.4	298.9	516.8
Equity	–	–	1,009.9	1,009.9
Total available funding at 31 July 2015	3,501.6	1,694.0	2,324.7	7,520.3
Total available funding at 31 July 2014	3,428.4	1,777.1	1,922.4	7,127.9

Financial Overview continued



Photographed on location at Alicat Workboats Ltd.

Total funding increased £392.4 million or 6% in the year to £7,520.3 million (31 July 2014: £7,127.9 million) and accounted for 131% (31 July 2014: 135%) of the loan book. This reflects a £321.0 million increase in drawn and undrawn facilities increasing to £1,512.2 million (31 July 2014: £1,191.2 million), reflecting participation in the government's Funding for Lending Scheme.

Customer deposits remained broadly stable at £4,481.4 million (31 July 2014: £4,513.7 million) as did senior unsecured bonds at £516.8 million (31 July 2014: £505.4 million).

Term funding (funding with a maturity greater than 12 months) increased by 9% to £4,018.7 million (31 July 2014: £3,699.5 million) due to participation in the Funding for Lending Scheme, which runs for four years, and the facility renewals. At 31 July 2015, the loan book was 70% covered by term funding (31 July 2014: 70%) with an average maturity of 31 months (31 July 2014: 30 months), more than double the maturity of the loan book of 14 months (31 July 2014: 14 months).

Prudent approach to managing liquidity

The group takes a conservative approach to liquidity management, and the majority of our liquidity requirements and surplus funding are held in the form of high quality liquid assets.

At 31 July 2015, our treasury assets totalled £1,173.4 million (31 July 2014: £1,217.3 million), of which £1,058.1 million (31 July 2014: £1,217.3 million) comprised high quality liquid assets, principally in the form of deposits with the Bank of England. From time to time we also place surplus funding in certificates of deposits ("CDs") or other liquid securities to maximise yield. At the year end, we held £115.3 million (31 July 2014: £nil) in CDs.

We regularly assess our long and short-term liquidity requirements including extensive stress testing, with a clearly defined risk appetite. Therefore, we hold a prudent liquidity position at all times relative to both internal and external requirements, and expect to comfortably meet the Liquidity Coverage Ratio requirements under CRD IV when they come into force.

Credit ratings upgraded by Moody's

In May 2015, Moody's Investor Services ("Moody's") upgraded its long-term rating for Close Brothers Group ("CBG") and Close Brothers Limited ("CBL") to A3/P2 from Baa1/P2 and Aa3/P1 from A3/P2, respectively, both with stable outlooks. Earlier in the year, Fitch Ratings (reaffirmed its ratings for CBG and CBL at A/F1, both with stable outlooks.

The rating upgrade reflects our proven business model, consistent track record through the cycle and prudent approach to funding and capital management, as well as the implementation of Moody's new bank rating methodology.

Maintaining a strong capital position

We have always maintained a strong and prudent capital position, which in recent years has allowed us to invest in our business and consistently deliver strong loan book growth while at the same time meeting increasingly demanding regulatory requirements. In 2015, our capital position improved further with a common equity tier 1 capital ratio of 13.7% (31 July 2014: 13.1%) and a leverage ratio of 10.2% (31 July 2014: 9.2%), both comfortably ahead of minimum regulatory requirements. This reflects the strong profitability in the period, more than offsetting the impact of the growing loan book.

Common equity tier 1 capital increased to £813.2 million (31 July 2014: £710.8 million), reflecting profit for the year of £185.7 million, partly offset by the deduction for foreseeable dividend payments and other reserve movements. Total risk weighted assets increased 9% to £5,932.1 million (31 July 2014: £5,445.8 million), predominantly due to the increased credit and counterparty risk resulting from loan book growth in the period. Risk weighted assets in respect of operational risk also increased reflecting growth across the group, whilst market risk reduced due to the disposal of Close Brothers Seydler and lower trading in Winterflood.

Our current capital position is strong and our existing ratios are comfortably ahead of current requirements. However, the regulatory environment continues to evolve, with capital requirements across the industry being reviewed by both UK and international regulators, which could lead to changes in the future. We are confident that our strong capital position, the quality of our assets and overall prudent approach to managing our business and financial resources ensure we can absorb any future changes, while retaining the flexibility to pursue growth opportunities.

Treasury Assets

	31 July 2015 £ million	31 July 2014 £ million	Change £ million
Gilts	20.1	45.6	(25.5)
Bank of England deposits	1,038.0	1,171.7	(133.7)
High quality liquid assets	1,058.1	1,217.3	(159.2)
Certificates of deposit	115.3	–	115.3
Total treasury assets	1,173.4	1,217.3	(43.9)

Group Capital Position

	31 July 2015 £ million	31 July 2014 £ million
Common equity tier 1 capital ratio	13.7%	13.1%
Total capital ratio	14.3%	14.3%
Leverage ratio ¹	10.2%	9.2%
Common equity tier 1 capital	813.2	710.8
Total regulatory capital	848.0	780.4
Risk weighted assets	5,932.1	5,445.8

¹ The leverage ratio is calculated using the 2014 Basel Committee methodology as required by the Prudential Regulation Authority. It is calculated as Tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures.

Banking

The Banking division's strategy remains unchanged: to deliver sustainable growth and strong returns throughout the economic cycle. To do this, we continuously invest in our business model to maintain our local presence and leading position in our chosen specialist markets, in order to build long-term client relationships. This strategy has driven strong performance for the business which delivered its sixth consecutive year of double-digit profit growth in 2015.



Photographed on location at BCW Engineering Ltd.

Delivering Sustainable Growth and Strong Returns over the Long Term

In recent years, the division has achieved exceptionally strong growth, which combined with improving economic conditions and our disciplined approach to underwriting has resulted in reduced impairments and increasingly strong returns. As we continue to see a gradual increase in the supply of credit and a return of competition in some of our key markets, we remain focused on maintaining the high quality of our loan book and ensuring that we price risk appropriately. This will enable us to continue our long track record of delivering strong returns and sustainable growth through the cycle.

Distinctive Business Model Drives Strong Financial Performance

The Banking division has again delivered solid growth and strong returns in 2015. Adjusted operating profit increased 15% to £208.7 million (2014: £181.6 million) due to a 12% increase in adjusted operating income and lower impairment losses. As a result, the division's return on opening equity improved to 27% (2014: 25%) and the return on net loan book increased to 3.8% (2014: 3.7%).

Operating income increased 12% to £498.6 million (2014: £446.7 million) driven by increases across all our businesses, with particularly strong growth in Property which increased 28% to £96.8 million (2014: £75.4 million). The net interest margin remained strong at 8.8% (2014: 8.6%), reflecting our focus on maintaining our margins and pricing risk appropriately as competition increases and supported by a modest decline in funding costs. Treasury and other income declined slightly to £13.4 million (2014: £19.4 million).

The bad debt ratio has improved steadily in recent years and declined further in 2015 to 0.8% (2014: 0.9%). The improvement in the year was principally driven by lower impairment charges in Commercial and Property, and reflects our ongoing focus on credit quality and the favourable economic conditions.

Adjusted operating expenses increased in line with income, up 12% to £248.0 million (2014: £221.0 million) reflecting an increase in volume related costs and continued investment in our service led business model to deliver further growth and consistent returns over the long term. Specifically, higher staff costs reflect increased headcount in our operational and control functions to support loan book growth and ensure we operate effectively in our regulated environment. IT costs also increased to meet the continued need to invest in our systems and technology to enhance our speed to market and customer focused service proposition. As a result the expense/income ratio has marginally increased to 50% (2014: 49%), whilst the compensation ratio remained stable at 27% (2014: 27%).

Continued Loan Book Growth

We have a track record of consistent growth through the cycle and delivered good growth in the year across our loan book despite a gradual increase in the supply of credit and increasing competition in some of our key markets.

In the 12 months to 31 July 2015, the overall loan book increased 8.5% to £5.7 billion (31 July 2014: £5.3 billion). Most importantly this growth was achieved with no change to our strict risk and return criteria and its key characteristics remained unchanged, with an average duration of 14 months (31 July 2014: 14 months) and around 90% secured.

Asset finance continues to deliver good growth due to our strong customer relationships and direct lending capabilities. In motor finance, strong demand in the overall car market has allowed us to deliver further loan book growth whilst maintaining our robust margins in the face of increasing competition. Property remains the area of highest growth in the period with continued strong demand for development finance.

Overall, the Retail loan book increased 8.3% to £2,266.0 million (31 July 2014: £2,092.8 million) in the 12 months to 31 July 2015. The motor finance loan book increased 9.7% to £1,600.3 million (31 July 2014: £1,458.9 million) as underlying growth in car market volumes and successful sales campaigns in the second half offset increased competition. The premium finance book increased 5.0% to £665.7 million (31 July 2014: £633.9 million) reflecting new business from both new and existing customers.

Banking continued



Photographed on location at Mark Priestley SDT Ltd.

The Commercial loan book increased 6.1% to £2,172.8 million (31 July 2014: £2,047.2 million) driven by an 8.5% increase in asset finance to £1,796.2 million (31 July 2014: £1,656.0 million) due to good levels of new business across all sectors and the benefits of our growth initiatives in Ireland and energy finance. Invoice finance reduced by 3.7% to £376.6 million (31 July 2014: £391.2 million) in a market that continues to be highly competitive.

In Property, we continue to benefit from our strong positioning in the residential development market as we continued to see solid loan book growth in 2015 of 13.0% to £1,299.0 million (31 July 2014: £1,149.7 million). We have maintained our strict and consistent lending criteria throughout this period of increased demand and continue to lend at conservative loan to values focusing primarily on residential property development in the South East.

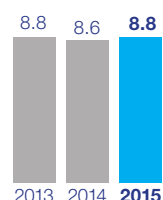
Well Positioned for Further Growth at Attractive Margins

We remain confident in the outlook for the Banking division and our ability to deliver further growth and good returns over the long term. To do this we will continue to invest in our tried and tested business model, which is built upon strong customer relationships and expertise in our chosen markets which deliver high levels of repeat business. We will also deliver further investment in both people and technology to adapt to changes in the wider regulatory and market environments as they continue to evolve.

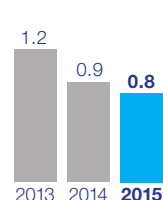
We continue to see opportunities for growth and we will maximise these opportunities by investing in our people to extend our reach and distribution capacity in existing markets and looking at new initiatives in adjacent markets. At the same time we will remain focused on the quality of our lending to support strong returns over the long term.

Key Performance Indicators

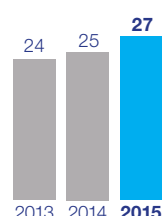
Net interest margin¹
per cent



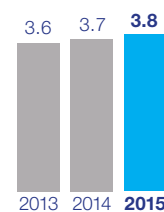
Bad debt ratio²
per cent



Return on opening equity³
per cent



Return on net loan book⁴
per cent



1 Net interest and fees on average net loans and advances to customers.

2 Impairment losses on average net loans and advances to customers.

3 Adjusted operating profit after tax and non-controlling interests on the division's opening equity, excluding non-controlling interests.

4 Adjusted operating profit on average net loans and advances to customers.

Key Financials

	2015 £ million	2014 £ million	Change %
Operating income	498.6	446.7	12
Net interest and fees on loan book ¹	485.2	427.3	14
Retail	181.1	164.6	10
Commercial	207.3	187.3	11
Property	96.8	75.4	28
Treasury income	13.4	19.4	(31)
Adjusted operating expenses	(248.0)	(221.0)	12
Impairment losses on loans and advances	(41.9)	(44.1)	(5)
Adjusted operating profit	208.7	181.6	15

1 Includes £381.2 million (2014: £332.2 million) net interest income and £104.0 million (2014: £95.1 million) other income. Other income includes net fees and commissions, operating lease income, and other miscellaneous income.

Loan Book Analysis

	31 July 2015 £ million	31 July 2014 £ million	Change %
Retail	2,266.0	2,092.8	8.3
Motor finance	1,600.3	1,458.9	9.7
Premium finance	665.7	633.9	5.0
Commercial	2,172.8	2,047.2	6.1
Asset finance	1,796.2	1,656.0	8.5
Invoice finance	376.6	391.2	(3.7)
Property	1,299.0	1,149.7	13.0
Closing loan book	5,737.8	5,289.7	8.5

Securities

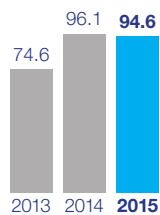
Winterflood has maintained its leading market position and remained profitable by maximising revenue opportunities in all market conditions, benefiting from its experienced traders, proprietary technology and tight risk controls.



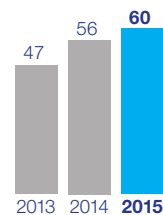
Photographed on location at Winterflood Securities Limited.

Key Performance Indicators¹

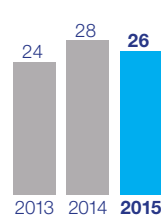
Winterflood income
£ million



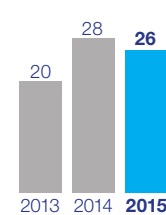
Winterflood average
bargains per day
'000



Securities operating
margin²
per cent



Securities return on
opening equity
per cent



1 Key performance indicators have been restated to exclude Seydler for 2014 and 2015 only.

2 Adjusted operating profit on operating income.

Solid Result Despite Mixed Market Conditions

Winterflood experienced mixed market conditions throughout the financial year, with periods of increased volatility due to economic and political uncertainty, and the UK equity markets in general seeing lower levels of activity compared to 2014.

Against this tough market backdrop, Winterflood has provided continuous liquidity to clients whilst maintaining consistent profitability and its variable cost model has allowed it to deliver good returns in the period with both operating margin and return on opening equity broadly stable at 26% (2014: 28%) and 26% (2014: 28%) respectively.

Diverse Business Model Drives Consistent Profitability

Winterflood's operating income remained broadly stable at £94.6 million (2014: £96.1 million). This reflects a significant decline in trading revenues with lower activity and income seen across most markets, but particularly in AIM which was impacted by the weakness in commodity prices. This decline was broadly offset by a particularly strong year for investment trust activity, as well as proceeds from the Euroclear disposal in the first half. The relative stability of the division's income under these conditions illustrates the resilience and diversity of Winterflood's business model.

Key Financials (continuing operations)¹

	2015 £ million	2014 £ million	Change %
Operating income ²	94.6	96.1	(2)
Operating expenses	(70.0)	(69.5)	1
Adjusted operating profit²	24.6	26.6	(8)

1 Results from continuing operations exclude Close Brothers Seydler, the sale of which was completed on 5 January 2015 and has been classified as a discontinued operation under IFRS 5.

2 Operating income and adjusted operating profit include £6.8 million and £3.5 million respectively relating to the disposal of Euroclear shares.

Total bargains and average bargains per day increased 9% to 15.3 million (2014: 14.1 million) and 60,494 (2014: 55,749) respectively, as Winterflood maintained its leading market position and increased the level of international trading. Income per bargain (excluding the income relating to the disposal of Euroclear shares) decreased to £5.73 (2014: £6.81) reflecting the adverse trading conditions seen in the first half and an increase in lower margin international trades. As a result the number of loss days increased to 14 (2014: four), the majority of which were in the first half.

Operating expenses increased slightly to £70.0 million (2014: £69.5 million) with lower staff costs offset by higher settlement fees due to increased bargains. As a result, the expense/income ratio increased slightly to 74% (2014: 72%) while the compensation ratio has remained broadly stable at 47% (2014: 48%).

Overall, this resulted in an 8% decline in adjusted operating profit to £24.6 million (2014: £26.6 million), which includes a £3.5 million benefit from the partial disposal of a long standing shareholding in Euroclear.

Well Positioned

Market conditions since the year end have been challenging but we are confident that our consistent strategy and robust business model will enable us to provide continuous liquidity and remain profitable in a variety of market conditions.

Close Brothers Seydler Disposal Completed

During the first half of the year we completed the sale of Close Brothers Seydler. The profit on disposal of £10.3 million and the profit after tax of £0.9 million have been classified as discontinued operations and the results for 2014 have been restated. As a result, going forward the operations of the Securities division will relate exclusively to Winterflood.

Asset Management



Photographed on location at Barfoots of Botley Ltd.

Asset Management has continued to deliver good growth in assets and improved profitability in 2015. We continue to see solid demand for our integrated advice and investment management services and the business remains well positioned to benefit from the ongoing regulatory and demographic changes.

Continued Good Progress

The division delivered adjusted operating profit of £17.8 million (2014: £9.9 million), resulting in an improved operating margin of 19% (2014: 12%) and a return on opening equity of 39% (2014: 25%). Excluding a £4.4 million benefit from non-recurring private equity income, adjusted operating profit increased 35% to £13.4 million, with an operating margin of 15%.

Income on client assets increased 8% to £90.2 million (2014: £83.8 million), reflecting higher investment management revenues driven by solid growth in managed assets, offset by a slight decline in advice and other services. As a result, the revenue margin remained broadly stable at 88 basis points (2014: 89 basis points).

Other income increased to £5.4 million (2014: £0.6 million) due to the one-off income from our former private equity business. As a result, total operating income increased 13% to £95.6 million (2014: £84.4 million).

Operating expenses increased by 4% to £77.8 million (2014: £74.5 million), less than the growth in income, reflecting the broadly stable fixed cost base and operating leverage within the business. This resulted in an improvement in both the expense/income ratio to 81% (2014: 88%) and the compensation ratio to 53% (2014: 58%).

Strong Growth in Client Assets

Total client assets increased 11% year-on-year to £10.8 billion (31 July 2014: £9.7 billion), reflecting both solid net inflows and positive market movements with continued good demand for our integrated advice and investment management proposition.

We continue to see strong growth in our core investment management products, with good inflows from both our own advisers and investment managers and particularly from third party IFAs and other intermediaries. We also continue to deliver consistent investment performance for our clients, with three out of our five Close Portfolio Funds delivering top quartile performance over the last year.

Net inflows into our managed assets increased year-on-year to £700 million or 10% of opening total managed assets (2014: £554 million or 9%), while market movements added £374 million, benefiting from rising equity markets. As a result, total managed assets increased 16% in the year to £8.0 billion (31 July 2014: £6.9 billion).

This includes £2.7 billion (31 July 2014: £2.4 billion) of assets in our integrated advice and investment management proposition, a 14% increase year-on-year reflecting both strong new business levels and the ongoing migration of advised assets into our integrated investment management offering.

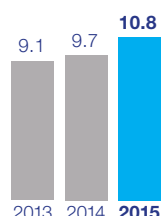
As a result, advised only assets remained broadly stable year-on-year at £2.8 billion resulting in overall growth in total advised assets of 7% to £5.5 billion (31 July 2014: £5.2 billion).

Since the year end we have entered into an agreement regarding the sale of our corporate advice and investment management activities which we expect to complete before the end of the calendar year. This transaction further focuses our business around our core personal advice and wealth management proposition, where we see greater opportunities for growth and operating leverage.

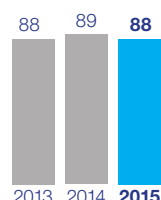
The activities disposed of represented £711 million of advised assets and £652 million of managed assets as at 31 July 2015, and contributed income of £5.8 million and adjusted operating profit of £0.7 million in the 2015 financial year.

Key Performance Indicators

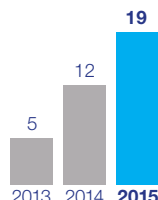
Total client assets
£ billion



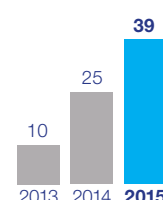
Revenue margin¹
bps



Operating margin
per cent



Return on opening equity
per cent



¹ Income from advice and other services and investment management over average client assets.

Well Positioned for Further Growth

Our business is well positioned for future growth given ongoing regulatory and demographic changes. We have a strong client offering covering a full range of financial planning advice and investment management services, distributed directly to clients through our own advisers and high net worth investment managers and an outsourced investment management offering to third party IFAs.

We continue to invest in the business to support its growth, providing training and development programmes for our advisers and improving internal processes to increase efficiency and accelerate the growth of both new business and, where appropriate, migration of existing advised assets into our range of investment management propositions.

We believe the UK government's recently announced changes to the pensions market create opportunities for the industry and expect them to increase demand for our products and services in the longer term. We will also continue to look selectively at opportunities to support our organic growth with infill acquisitions and hiring of high quality advisers and investment managers.

Key Financials

	2015 £ million	2014 £ million	Change %
Operating income	95.6	84.4	13
Income on client assets	90.2	83.8	8
Advice and other services ¹	36.1	36.6	(1)
Investment management	54.1	47.2	15
Other income ²	5.4	0.6	
Adjusted operating expenses	(77.8)	(74.5)	4
Adjusted operating profit	17.8	9.9	80

¹ Income from advice to private and corporate clients and self directed services, excluding investment management income.

² Interest income and expense, income on principal investments and other income.

Movement in Total Client Assets

	2015 £ million	2014 £ million	Change %
Total managed assets at 1 August	6,922	6,193	12
Inflows	1,477	1,128	31
Outflows	(777)	(574)	35
Net inflows	700	554	26
Market movements	374	175	114
Total managed assets at 31 July ¹	7,996	6,922	16
Advised only assets at 31 July ²	2,797	2,783	1
Total client assets at 31 July	10,793	9,705	11

¹ Total managed assets include £2.7 billion (31 July 2014: £2.4 billion) of assets that are both advised and managed.

² Total advised assets of £5.5 billion at 31 July 2015 comprise £2.8 billion of advised only assets and £2.7 billion of assets that are both advised and managed.

Principal Risks and Uncertainties


The group faces a number of risks in the normal course of business providing a range of financial services to small businesses and individuals. These risks are managed by:

- Adhering to our established and proven business model outlined on pages 8 to 11;
- Implementing an integrated risk management approach based on the concept of “three lines of defence” which is outlined in detail on pages 49 and 50; and
- Setting clearly defined risk appetites monitored with specific metrics within set limits.

A summary of the principal risks and uncertainties which may impact the group’s ability to deliver its strategy, how we seek to mitigate these risks and the change in the perceived level of risk over the year is set out below. The risks identified remain broadly unchanged from the prior year reflecting the group’s consistent strategy and adherence to its established business model.

This summary should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties faced by the group but rather those risks which the group currently believes may have a significant impact on the group’s performance and future prospects.

Key:  No change  Risk decreased  Risk increased

Risk	Mitigation	Change
<p>Credit losses</p> <p>At 31 July 2015 the group had loans and advances to customers totalling £5.7 billion. The group is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees.</p> <p>In addition the group has exposure to counterparties with which it places deposits or trades, and also has limited derivative contracts to hedge interest rate and foreign exchange exposures.</p>	<p>We seek to minimise our exposure to credit losses from our lending by:</p> <ul style="list-style-type: none"> • Applying strict lending criteria when testing the credit quality and covenant of the borrower. • Maintaining consistent and conservative loan to value ratios with low average loan size and short-term tenor. • Lending on a predominantly secured basis with significant emphasis placed on the underlying security. • Maintaining rigorous and timely collections and arrears management processes. • Operating strong control and governance both within our lending businesses and with oversight by a central credit risk team. <p>Our exposures to counterparties are mitigated by:</p> <ul style="list-style-type: none"> • Conservative management of our liquidity requirements and surplus funding with £1.0 billion or c.85% placed with the Bank of England. • Continuous monitoring of credit quality of our counterparties within approved set limits. • Winterflood’s trading relating to exchange traded cash securities and being settled on a delivery against payment basis. Counterparty exposure and settlement failure monitoring controls are also in place. 	<p></p> <p>The loan impairment rate has remained low reflecting our lending discipline as well as favourable market conditions.</p> <p>The group’s other counterparty exposures are broadly unchanged with the majority of our liquidity requirements and surplus funding placed with the Bank of England.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Further commentary on the credit quality of our loan book is outlined on pages 21 and 22. Further details on loans and advances to customers and debt securities held are in notes 11 and 12 on pages 103 and 104 of the Financial Statements.</p> <p>Our approach to credit risk management and monitoring is outlined in more detail in note 29 on page 125.</p> </div>

Risk	Mitigation	Change
<p>Economic environment Any downturn in economic conditions could impact the group's performance through:</p> <ul style="list-style-type: none"> • Lower demand for the group's products and services; • Lower investor risk appetite as a result of financial markets instability; • Higher bad debts as a result of customers inability to service debt and lower asset values on which loans are secured; and • Increased volatility in funding markets. 	<p>The majority of the group's activities are in specialist areas where our people have significant experience and expertise. Our long standing commitment to our proven business model and strong financial position has enabled us to support our clients in all economic conditions. This assists us in our aim of developing long-term relationships with our clients.</p> <p>The group carries out regular stress testing on its performance and financial positions to test resilience in the event of adverse economic conditions.</p>	<p>—</p> <p>While the UK economy has proven resilient and the outlook appears stable, significant global uncertainty remains.</p> <div data-bbox="1029 629 1441 763" style="border: 1px solid black; padding: 5px;"> <p>Further commentary on the attributes and resilience of the group's business model is shown on pages 8 to 11.</p> </div>
<p>Legal and regulatory Changes to the existing legal, regulatory and tax environments and failure to comply with existing requirements may materially impact the group.</p> <p>Failing to treat customers fairly, safeguard client assets or provide advice/products contrary to clients' best interest has the potential to damage our reputation and may lead to legal or regulatory sanctions including litigation and customer redress. This applies to current, past and future business.</p> <p>Similarly changes to regulation and taxation can impact our performance, capital and liquidity and the markets in which we operate.</p>	<p>The group seeks to manage these risks by:</p> <ul style="list-style-type: none"> • Commitment to provide straightforward and transparent products and services to our clients. • Governance and control processes to review and approve new products and services. • Significant investment in both staff and operating systems to ensure the group is well placed to respond to changes in regulation. • Investment in training for all staff including anti-money laundering, bribery and corruption, data protection and information security. Additional tailored training for relevant employees is provided in key areas such as complaint handling. • Continuous monitoring of key legal, regulatory and tax developments to anticipate their potential impact. • Maintaining constructive and positive relationships and dialogue with regulatory bodies and tax authorities. 	<p>↗</p> <p>Financial services businesses remain subject to significant scrutiny. We believe the potential risks from legal and regulatory changes continue to increase.</p> <div data-bbox="1029 1099 1441 1413" style="border: 1px solid black; padding: 5px;"> <p>The group's approach to regulatory reform during the year is discussed in the Chairman and Chief Executive's Statement on page 6 and the Risk Committee report on pages 51 and 52 of the Corporate Governance report. Further information on our approach to conduct risk can be found in the Sustainability Report on pages 34 and 35.</p> </div>
<p>Competition The group operates in highly competitive markets and as the UK economy improves we expect to see competition continue to increase particularly in the Banking division.</p>	<p>The group has a long track record of trading successfully in all types of competitive environment.</p> <p>We value our clients and build long-term relationships offering a differentiated proposition based on:</p> <ul style="list-style-type: none"> • Speed and flexibility of service. • Local presence. • Experienced and expert people. • Tailored, client driven product offerings. 	<p>↗</p> <p>We continue to experience increasing levels of competition particularly in the Banking division.</p> <div data-bbox="1029 1749 1441 1899" style="border: 1px solid black; padding: 5px;"> <p>Further commentary on the market environment for the Banking division is outlined on page 21. Our business model is set out on pages 8 to 11.</p> </div>

Principal Risks and Uncertainties continued

Risk	Mitigation	Change
<p>Technology Maintaining robust and secure IT infrastructure, systems and software is fundamental to allow the group to operate effectively, respond to new technology, protect client and company data and counter the evolving cyber threat.</p> <p>Failure to keep up with changing customer expectations or manage upgrades to existing technology has the potential to impact group performance.</p>	<p>The group continues to invest in its IT infrastructure, information security and software. We also continue to invest in our IT resources including the appointment of a chief information officer in the Banking division with extensive relevant experience in the financial services sector.</p> <p>The group has strong governance in place to oversee its major projects.</p> <p>We have in place business continuity and disaster recovery plans which are regularly tested.</p>	<p>—</p> <p>The group continues to invest and upgrade its IT infrastructure to simplify our technology architecture and reduce exposure to cyber attack. However the risk of cyber threats or new technology impacting our business model remains.</p> <div data-bbox="1066 689 1498 952" style="border: 1px solid black; padding: 5px;"> <p>Further detail on our technology related investment is outlined on pages 6 and 21.</p> <p>For further information on our response to cyber threats and the independent review on our business continuity plans see page 52 of the Corporate Governance report.</p> </div>
<p>Employees The calibre, quality and expertise of employees is critical to the success of the group. The loss of key individuals or teams may have an adverse impact on the group's operations and ability to deliver its strategy.</p>	<p>The group seeks to attract, retain and develop staff by:</p> <ul style="list-style-type: none"> • Operating remuneration structures which are competitive and recognise and reward performance. • Implementing succession planning for key roles. • Aiming to develop a pipeline of future leaders through our Emerging Leaders Programme. • Investing in training and development for all staff. • Attracting high quality staff including via our graduate and school leaver programmes, and new training academy in asset finance. 	<p>—</p> <p>Our highly skilled people are likely to be targeted but we are confident we are able to retain key employees. Our latest employee survey identified 88% of employees were either satisfied or very satisfied working at Close Brothers.</p> <div data-bbox="1066 1232 1498 1388" style="border: 1px solid black; padding: 5px;"> <p>Further detail on the employee survey and our investment in our people is outlined in the Sustainability Report on pages 32 to 34.</p> </div>
<p>Funding The Banking division's access to stable funding remains key to support its lending activities and the liquidity requirements of the group.</p>	<p>At 31 July 2015 the group's funding position was strong with total funding 131% of the loan book. This provides a prudent level of liquidity to support our lending activities.</p> <p>Our funding is well diversified both by source and tenor. Liquidity in our Banking division is assessed on a daily basis and tested weekly to ensure adequate liquidity is held and readily accessible in stressed conditions.</p> <p>Our funding approach is conservative based on the principle of "borrow long and lend short". Over 50% of our total funding is repayable after more than one year with an average duration of 31 months. This compares to our weighted average loan maturity of 14 months.</p>	<p>↘</p> <p>The group remains well funded, retains sufficient liquidity and is well placed to access further funding as required.</p> <div data-bbox="1066 1624 1498 1809" style="border: 1px solid black; padding: 5px;"> <p>Further commentary on funding and liquidity is provided on pages 17 to 19. Further financial analysis of our funding is shown in note 19 on page 110 of the Financial Statements.</p> </div>

Risk	Mitigation	Change
<p>Market exposure Market volatility and/or changes in interest and exchange rates have the potential to impact the group's performance.</p> <p>Although the majority of the group's activities are carried out in the UK, there is foreign exchange exposure on deposits, lending and funding balances as part of our banking activities as well as trading in foreign securities.</p>	<p>Winterflood primarily act as a market-maker in exchange traded cash securities reducing exposure to market volatility. In addition trading positions are monitored on a real time basis and both individual and trading book limits are set to control exposure.</p> <p>The group matches fixed and variable interest rate assets and liabilities using swaps where appropriate. The sensitivity analysis on interest rate exposures shown in note 29 on page 128 shows the expected impact of interest rate changes. The group's capital and reserves are not hedged.</p> <p>Foreign exchange exposures in the Banking division are hedged using currency swaps with exposures monitored daily against approved limits. Trading exposures on foreign securities are also hedged and monitored against limits. The group does not speculate on foreign currency movements.</p> <p>Stress tests are regularly performed on market risks to ensure we maintain adequate liquidity and capital even under extreme downside scenarios.</p>	<p>—</p> <p>The group's approach and the underlying risks are unchanged.</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Further detail on the group's exposure to market risk is outlined in note 29 on pages 128 and 129 of the Financial Statements.</p> </div>

Sustainability Report

Over many years, we have built a strong reputation as a trusted finance partner to borrowers, depositors, and investors, providing financial support to our clients in all market conditions. This reflects not only the prudent management of our financial resources but also our ongoing investment in developing our people, maintaining sound business practices and engaging with and supporting the businesses and communities that we interact with.



Photographed on location at Wastewise Ltd.

Strong Commitment to Clients and Employees

Our focus on clients and other stakeholders is fundamental to our business, which is founded on the long-term relationships we build with them. As a group we share a strong commitment to acting responsibly, ethically and with integrity in our interaction with clients and staff, our role in the wider community and our environmental footprint.

As a result, the management of sustainability issues is part of our daily business, and the management of related risks is integrated within our wider risk management framework. The group executive committee and the board receive updates on relevant issues and both human resources and responsible finance matters are regular items on the group and divisional risk committee agendas.

Our sustainability objectives are to support the group's long-term strategy by:

- Attracting, retaining and developing talent;
- Operating responsibly and with the highest level of integrity in our dealings with clients;
- Making a positive contribution to the communities where we do business; and
- Minimising our impact on the environment.

Attracting, Retaining and Developing Talent

The skills, expertise and engagement of our people are fundamental to our business and we are committed to ensuring that Close Brothers is a stimulating and rewarding place to work. We invest extensively in training and development, and staff engagement initiatives.

Driving employee engagement

In the last year we repeated our biennial employee survey and were again delighted to observe continued strong scores across the organisation. The participation rate improved further to 87%, up from 79% in our previous survey. Overall, we recorded excellent engagement scores, with 88% of employees either satisfied or very satisfied working for the group, and 85% of employees recommending our business as a place to work.

Results of the survey are shared with group and divisional executive teams, and form the basis for planning for the next 24 months. Given the strong overall scores, most of the action planning is undertaken at a divisional and business level, and will cover areas such as communications, leadership visibility and customer focus. At a business unit level, areas of focus will be explored further through focus groups and topical surveys. The action plans are reviewed and reported on regularly between surveys to ensure momentum.

We also ensure all employees are aware of financial and economic factors affecting the performance of the company; we do this via internal communications and updates to our group-wide intranet site.

We continue to be committed to maintaining a safe environment for our employees and visitors. We frequently review and look at ways to develop the safety culture within our business units and locations and are currently introducing new initiatives to ensure we have robust central oversight of health and safety matters.

Training and development

The training and development of our staff is key to employee retention, and ensuring that our employees continue to have the skills and expertise that is core to our business success. We have a number of initiatives under way which not only promote and develop our existing talent but also develop the next generation so that we can continue to support our successful business model over the long term.

We already run a successful graduate scheme and our school leavers programme, ASPIRE, is now in its third year. Both of these have been extended to cover all three of our divisions and form a core part of our talent development. Employees also have the opportunity to be mentored by senior colleagues, building one-to-one relationships to coach people through their careers.

During the year we have launched the Close Brothers Training Academy, a two year programme aiming to develop the next generation of sales professionals, initially in our asset finance business. The first intake of 34 candidates started in September 2015 and will experience a development programme delivered by external partners, internal subject matter experts and a group of experienced business mentors. The programme will use portal based network learning as well as facilitated classroom and on the job learning. We have also recently launched the Adviser Academy in Asset Management to enhance skills and to provide career development opportunities for our financial advisers.

Recently, we have taken our strong commitment to training and development externally with the launch of the Close Brothers SME Apprentice Programme. Through this unique scheme, which is run in partnership with the Advanced Manufacturing Research Centre at Sheffield University and the Manufacturers' Technology Association, we are contributing to the cost of hiring and training 20 apprentices on behalf of SMEs in the region, who could otherwise not have afforded an apprentice. This initiative allows us to support both the SME community and our passion for training and development, and we will be looking to build on the current programme in future years. It has been extremely well received by the media and the SME manufacturing community.

Not only do we strive to attract high quality new starters, we also focus on our existing employees, who have the opportunity to complete a number of internal courses for personal skills development alongside support for professional qualifications. We work hard to ensure career development and promotions within teams and also encourage internal transfers with the aim to retain our high quality staff. During 2015, we filled 124 (2014: 102) vacancies with existing employees.

Sustainability Report continued



Photographed on location at Biggin Hill Heritage Hangar Ltd.

Remuneration and benefits

We believe in rewarding our staff fairly and transparently, ensuring that remuneration across the group is linked to clear and transparent objectives. Details of the group's remuneration policies can be found in the Report of the Board on Directors' Remuneration on pages 58 to 77.

We offer our employees a comprehensive range of benefits, and continually review these to ensure they remain attractive and competitive. All our employees are eligible for a pension and life assurance. We also offer a childcare voucher scheme, interest free season ticket loans, and a cycle to work scheme offering a discount on bicycles and accessories.

Participation in our Save As You Earn scheme, which is intended to encourage saving and build long-term share ownership, continued to increase, with almost 40% of employees participating in the scheme. 9% of our employees are taking part in our Buy as You Earn scheme which we introduced in the year; it allows employees to acquire shares on a monthly basis out of pre-tax earnings. Both of these schemes are available to all UK resident employees who have completed six months service.

Diversity and equality

We have a strong commitment throughout the organisation to ensuring that all our staff are treated fairly and that we provide equal opportunity both to existing employees and in our recruitment process. Our recent employee survey reported that 88% of staff surveyed across the group believe that Close Brothers treats their employees fairly regardless of gender, ethnicity or for any other diversity reasons.

Our aim is to ensure that no employees, workers or candidates are subjected to unlawful discrimination, either directly or indirectly, on grounds of a protected characteristic. This commitment applies to all aspects of employment, including:

- Recruitment and selection, including advertisements, job descriptions, interview and selection procedures;
- Training;
- Promotion and career development opportunities;
- Terms and conditions of employment (with respect to the protected characteristic of disability, this commitment applies where practicable);
- Access to employment related benefits and facilities;
- Grievance handling and the application of disciplinary procedures; and
- Selection for redundancy.

We seek to consider employees from a wide range of backgrounds in our recruitment processes, and we do not tolerate any form of harassment or discrimination of employees with regards to race, gender, age, disability, sexual orientation or religion. These principles are supported by the equal opportunity policies in force across the group.

Our workforce has remained diverse, with 44% of our employees being women. We also employ a broad age range, with 23% of our employees under 30 years old and 15% above 50 years old. Our board and executive committee both have three female members, which means we remain above the Lord Davies target of 25% of FTSE 100 boards made of women by 2015.

Responsible Finance

Maintaining the trust and respect of clients and other stakeholders is fundamental to the long-term relationships that are integral to our business model. A strong client focus is embedded in our culture and we strive to act responsibly, ethically and with integrity in all our dealings with clients and other stakeholders. This is supported by our recent employee opinion survey, which showed that 95% of staff surveyed believe we work to continuously build relationships with our customers and that we treat customers fairly.

A strong culture of client focus is supported by a wide range of policies at group and divisional level which establish a framework for best practice and ensure we have robust procedures to minimise the risk of any failure in process or communication. The applicable policies are communicated to all employees and supported by a compulsory training programme to ensure staff are aware of their responsibilities and of the current rules and regulations.

The relevant policies include:

- A comprehensive policy on conduct risk and treating customers fairly. This policy is overseen by the group head of compliance and implemented in each division.
- We have implemented policies and procedures in accordance with anti-money laundering regulations and each regulated company has a dedicated money laundering reporting officer.

- Our whistle-blowing policy aims to protect employees who expose misconduct.
- Our anti-bribery and corruption policy sets out the group standards and best practice for business conduct under the Bribery Act 2010.
- A privacy policy to ensure the protection and correct treatment of client data in accordance with the Data Protection Act 1998.
- A health and safety policy to ensure the provision of a safe and healthy working environment for our employees and visitors in accordance with The Management of Health and Safety at Work Regulations 1999.

Strong client focus

We aim to foster a culture of strong client focus aiming for the highest standards in all our dealings with clients.

During the year, we launched customer forums across the group, which are focused on ensuring positive outcomes for customers drawing on both qualitative and quantitative inputs to challenge and improve the way we deal with customers. For example, in the Banking division the following five customer principles underpin the scope and objectives of the customer forum:

- We seek to ensure the right outcomes for our customers.
- We endeavour to ensure our pricing is fair and appropriate.
- We are clear and consistent in the way we communicate with customers.
- We expect our standards to be upheld by our partners.
- We are responsible lenders and deposit-takers.

The eight banking business customer forums are attended by front line staff with a central forum attended by members of the Banking division Executive Committee and business heads, and best practice is shared across the group. We collect feedback through a number of resources, including customer, staff and mystery shopper surveys along with analysis of complaints.

Gender Diversity

	Male	Female
Number of board directors ¹	6	3
Number of directors of subsidiaries ¹	52	9
Number of senior managers, other than board directors ²	17	10
Number of employees, other than board directors and senior managers	1,541	1,243

¹ Includes non-executive directors, excluded from Close Brothers Group plc headcount calculations.

² Senior employees indentified as Material Risk Takers who are not directors or subsidiary directors.

We seek to provide continuity for the customer throughout the handling of a complaint, with a single point of contact where possible and review our processes in order to deliver fair complaint outcomes. We have policies designed to ensure that vulnerable customers are identified and treated appropriately and undertake both specialist and general training for staff.

Our commitment to customer experience is further evidenced by strong net promoter scores ("NPS"), a measure of how likely customers are to recommend a business on a scale of -100 to +100. We measure our NPS for our motor, invoice and asset finance businesses who all score above 50. Also in our premium finance business we have won awards for our contact centres, including "Contact Centre Manager of the Year 2015" by the UK National Contact Centre Awards and "Manager of the Year" by the UK Contact Centre Forum.

We continue to monitor our ongoing risk policies, which include:

Conduct risk and product governance

Our client's interests are key within our policies; therefore new products and governance of existing products are reviewed regularly to ensure they are fit for purpose.

Complaints handling

Our divisions monitor customer complaints so that they can be given the attention required to resolve the problem and put processes in place to prevent reoccurrence.

Supplier relationships

We manage our risks when contracting with third parties, to ensure that controls are in place to protect our clients.

Customer data and privacy

We continually monitor and enhance our systems and controls to ensure that our clients are safeguarded against system failure or cyber attack.

Human rights

The board gives due regard to human rights considerations, as defined under the European Convention on Human Rights and the UK Human Rights Act 1998.

The Community

Close Brothers runs a number of community initiatives across the group. Employees have provided feedback through our employee engagement survey telling us that charity awareness and support is an area of interest which is important to them; and also voting for a nominated staff charity – Cancer Research UK. Therefore we wish to put in place additional support for our employees to take part in activities which matter to them.

In addition to the charitable activity that our staff are involved in, there are some new community projects that Close Brothers have been involved in this year. These include our Close Brothers SME Apprentice Programme and partnering with the Prince's Foundation for Children and the Arts to sponsor the first National Schools Art Competition. We have also supported a local primary school since 2013, where volunteers from the business spend their lunch break reading to individual children who are struggling or who do not have time to practise at home.

Sustainability Report continued



Photographed on location at G&H Sheet Fed Ltd.

In Asset Management we have launched the Trustee Leadership Programme, where our employees learn the skills and confidence to join a charity as a board member. By bringing young trustees onto charity boards they benefit from fresh approaches and increased diversity of opinions. In 2014 we had 130 participants, 35 of which have already been matched with charities to date, and in 2015 a further 60 employees signed up for the programme.

The group corporate social responsibility ("CSR") committee is chaired by our group head of human resources and supported by employees across the group; we also have a number of local CSR committees which run initiatives to raise funds for charity.

Charitable donations

The group's charitable donations have continued to increase and we contributed a total of £261,000 during the 2015 financial year, up 4% on 2014.

We run a number of events throughout the year to raise money for charity which see widespread participation from employees across the group. We have continued to run our Charity Week, a dedicated week set aside to fundraise for Cancer Research UK, which consists of a number of locally organised events for staff, including raising awareness of how the funds we raise can support the great work done by the charity.

In addition, 44% of our total contributions to charity came from the Close Brothers Matched Giving Scheme, which encourages staff to fundraise and volunteer for the charities they support by matching 50% of funds raised, or donating £8 per hour of voluntary time given by employees.

We also match contributions under our payroll giving scheme, Workplace Giving, which allows employee donations to be made directly from pre-tax salary. The scheme has seen a significant increase in employee participation to 17% (2014: 11%) allowing us to maintain our Payroll Giving Quality Mark Gold Award for the fifth consecutive year. Each of our divisions individually hold either Platinum or Gold awards, with participation ranging from 14% to 29% across the divisions.

The Environment

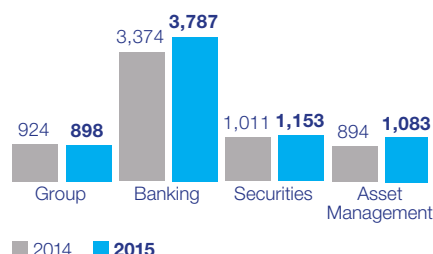
As a financial services company, we require limited natural resources to operate and therefore have a relatively low environmental impact. Our direct environmental impact comes from our office network, staff travel and from our supply chain. We continuously seek ways to minimise our environmental footprint and improve our energy saving, as well as reducing both emissions and waste.

Each business manages its resources and recycling locally, and we are on track for all of our Banking division sites to be supplied from renewable sources by the end of the 2015 calendar year. We also look to introduce new initiatives to improve our energy saving; for example in 2015 we installed PIR lighting and thermostat boiler plant controls within our head office.

During the year we secured a new location at Wimbledon Bridge House for our Banking division staff previously located in Tolworth. We have taken steps to ensure that we are energy efficient before moving into the property; this includes ensuring waste is recycled appropriately, LED lighting throughout the main office and PIR detectors in all areas.

We also seek to improve the efficiency of water and paper usage through the introduction of secure and duplex printing, and monitor waste reduction via a third party provider. In 2015, waste recycling increased further as we recycled 93% (2014: 62%) of our waste which avoided 217 cubic metres of landfill and saved 328 trees, as well as providing renewable energy to homes.

GHG Emissions By Division (tCO₂e)



Note: "Group" reflects the group headquarters which include some Banking division businesses.

GHG Emissions Summary (tCO₂e)

Scope	GHG emissions source	2015	2014 ¹
Scope 1	Fuel (Buildings)	165	154
	Fuel (Owned vehicles)	2,677	2,635
Scope 2	Electricity (excluding Scope 3 T&D losses)	4,079	3,414
Average number of employees		2,767	2,627
Total GHG emissions		6,921	6,203
Total per employee		2.50	2.36

¹ The prior year figures have been restated to exclude the impact of discontinued activities, following the disposal of Close Brothers Seydler on 5 January 2015. Total Scope 1 and 2 tCO₂e for Close Brothers Seydler were 139 for the five months to 5 January 2015 (2014: 317 tCO₂e).

Greenhouse Gas ("GHG") Emissions

In line with the GHG Protocol framework, we have calculated the GHG emissions associated with our Scope 1 and 2 operations. Scope 1 includes fuel emissions from buildings and company vehicles, and Scope 2 includes our emissions from electricity.

In 2015, our total GHG emissions were 6,921 tonnes of carbon dioxide equivalent ("tCO₂e"), equating to 2.5 tCO₂e per employee, up 5.0% overall and 0.1 per employee since 2014. As expected, given the nature of the group's business activities, the largest source of GHG emissions in 2015 was again our Scope 2 electricity consumption. Given its relative size in terms of headcount, our Banking division contributes the majority of our GHG emissions. A full breakdown of our 2015 GHG emissions, together with corresponding data for 2014, is shown above.

Calculation

We have gathered data on a quarterly basis since 2013, working with an independent third party GHG emissions reporting company. This verifies the accuracy of our data and enables us to monitor our performance on an ongoing basis.

Our total GHG emissions are reported as tonnes of carbon dioxide equivalent and are calculated in line with the GHG Protocol framework. In addition to reporting our total emissions, we have also disclosed the emissions per employee as an intensity metric to enable a comparable analysis in disclosures.

Outlook

We will continue to monitor and report our GHG emissions, working to improve our energy efficiency across our businesses. We encourage our offices to report their Scope 3 emissions for water and waste each quarter, where this information is available to facilitate continued performance monitoring.

The Strategic Report was approved by the board and signed on its behalf by:

Preben Prebensen
Chief Executive

22 September 2015





Governance

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Board of Directors



Jonathan Howell
Finance Director

Strone Macpherson
Chairman

Bridget Macaskill
Independent
Non-executive Director



Elizabeth Lee
Group Head of Legal and
Regulatory Affairs

Preben Prebensen
Chief Executive

Geoffrey Howe
Senior Independent
Director



Oliver Corbett
Independent
Non-executive Director

Lesley Jones
Independent
Non-executive Director

Stephen Hodges
Managing Director and
Banking Chief Executive

Strone Macpherson Chairman

Appointment to the board

Strone was appointed a director in March 2003, senior independent director in 2004, deputy chairman in 2006 and chairman in June 2008. He is chairman of the Nomination and Governance Committee.

Experience

Strone is also chairman of British Empire Securities and General Trust plc and a trustee of the King's Fund. He was previously a director of Flemings, chairman of Tribal Group plc and of JP Morgan Smaller Companies Investment Trust plc, executive deputy chairman of Misys plc and a non-executive director of AXA UK plc and of Kleinwort Benson Private Bank Limited.

Stephen Hodges Managing Director and Banking Chief Executive

Appointment to the board

Stephen was appointed a director in August 1995 with responsibility for the Banking division and became managing director in November 2002.

Experience

Stephen spent eight years at Hambros before joining the Banking division of Close Brothers in 1985.

Bridget Macaskill Independent Non-executive Director

Appointment to the board

Bridget was appointed a director in November 2013 and chairman of the Remuneration Committee in November 2014.

Experience

Bridget is president and chief executive officer of First Eagle Investment Management LLC in New York City, a trustee of the TIAA-CREF funds and a non-executive director of Jupiter Fund Management plc. She was previously a non-executive director of Prudential plc, Scottish & Newcastle plc, J Sainsbury plc, Hilldown Holdings plc and of the Federal National Mortgage Association in the US.

Preben Prebensen Chief Executive

Appointment to the board

Preben was appointed to the board as chief executive in April 2009 when he joined Close Brothers.

Experience

Preben previously spent his career in a number of senior positions at JP Morgan over 23 years, as well as being chief executive of Wellington Underwriting plc from 2004 to 2006, and then chief investment officer and a member of the group executive committee at Catlin Group Limited.

Jonathan Howell Finance Director

Appointment to the board

Jonathan was appointed to the board as finance director in February 2008 when he joined Close Brothers.

Experience

Jonathan was previously finance director of London Stock Exchange Group plc from 1999. Prior to that he was at Price Waterhouse where he qualified as a chartered accountant. He is also a non-executive director of The Sage Group plc where he is chairman of the audit committee.

Lesley Jones Independent Non-executive Director

Appointment to the board

Lesley was appointed a director in December 2013 and is chairman of the Risk Committee.

Experience

Lesley was group chief credit officer of Royal Bank of Scotland plc until January 2014. She has extensive banking experience, having previously held several line management positions within Citigroup. Lesley is also a non-executive director of Northern Bank Limited and N Brown Group plc.

Elizabeth Lee Group Head of Legal and Regulatory Affairs

Appointment to the board

Elizabeth was appointed a director in August 2012 with responsibility for legal and regulatory affairs.

Experience

Elizabeth joined Close Brothers as general counsel in September 2009. She was previously with Lehman Brothers and General Electric's financial services businesses.

Geoffrey Howe Senior Independent Director

Appointment to the board

Geoffrey was appointed a director in January 2011 and senior independent director in November 2014.

Experience

Geoffrey is chairman of Jardine Lloyd Thompson Group plc. He was previously chairman of Railtrack plc and of Nationwide Building Society, a non-executive director of Investec plc and of JP Morgan Overseas Investment Trust plc, a director of Robert Fleming Holdings Limited and managing partner of Clifford Chance.

Oliver Corbett Independent Non-executive Director

Appointment to the board

Oliver was appointed a director in June 2014 and is chairman of the Audit Committee.

Experience

Oliver is chief financial officer of Hyperion Insurance Group Limited and was formerly finance director of LCH. Clearnet Group Limited and of Novae Group plc. He is a chartered accountant and previously worked for KPMG, SG Warburg, Phoenix Securities (later Donaldson Lufkin Jenrette) and Dresdner Kleinwort Wasserstein, where he was managing director of investment banking. He was also a non-executive director of Rathbone Brothers plc.

Executive Committee



Stephen Hodges
Managing Director and
Banking Chief Executive

Preben Prebensen
Chief Executive

Robert Sack
Group Chief
Risk Officer



Philip Yarrow
Winterflood
Chief Executive

Tazim Essani
Group Head of Corporate
Development

Jonathan Howell
Finance Director



Elizabeth Lee
Group Head of Legal and
Regulatory Affairs

Martin Andrew
Asset Management
Chief Executive

Rebekah Etherington
Group Head of
Human Resources

Report of the Directors

Results and Dividends

The consolidated results for the year are shown on page 83 of the Financial Statements. The directors recommend a final dividend for the year of 35.5p (2014: 32.5p) on each ordinary share which, together with the interim dividend of 18.0p (2014: 16.5p), makes an ordinary distribution for the year of 53.5p (2014: 49.0p) per share. The final dividend, if approved by shareholders at the 2015 Annual General Meeting ("AGM"), will be paid on 24 November 2015 to shareholders on the register at 16 October 2015.

Directors

The names of the directors of the company at the date of this report, together with biographical details, are given on pages 40 and 41 of this Annual Report. All the current directors held office throughout the year, Bruce Carnegie-Brown having stood down from the board on 20 November 2014.

In accordance with the UK Corporate Governance Code, all directors offer themselves for reappointment at the 2015 AGM.

Directors' interests

The directors' interests in the share capital of the company at 31 July 2015 are set out on pages 74 and 76 of the Report of the Board on Directors' Remuneration.

Powers and appointment of directors

Details on the powers and appointment of directors are set out on page 48 of the Corporate Governance report.

Directors' indemnity

The company has granted indemnities to all of its directors on terms consistent with the applicable statutory provisions. Qualifying third party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year, and remain in force at the date of this report.

Share Capital

The company's share capital comprises one class of ordinary share with a nominal value of 25p each. At 31 July 2015, 150,633,736 ordinary shares were in issue. During the year the company's issued share capital increased by 11,153 ordinary shares of 25p each through the issue of shares to satisfy option exercises. Full details of options exercised, the weighted average option exercise price and the weighted average market price at the date of exercise can be found in note 27 on page 117 of the Financial Statements.

Rights attaching to shares

On a show of hands, each member has the right to one vote at general meetings of the company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No person has any special rights of control over the company's share capital and all shares are fully paid.

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of the company's shares which are governed by the general provisions of the articles of association and prevailing legislation.

The company is unaware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

New issues of share capital

Under section 551 of the Companies Act 2006, the directors may allot equity securities only with the express authorisation of shareholders which may be given in general meeting, but which cannot last more than five years. Under section 561 of the Companies Act, the board may not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

The existing authorities given to the company at the last AGM to allot shares will expire at the conclusion of the forthcoming AGM. Details of the resolutions renewing these authorities are included in the Notice of AGM.

Purchase of Own Shares

Under section 724 of the Companies Act 2006 a company may purchase its own shares to be held in treasury ("Treasury Shares").

The existing authority given to the company at the last AGM to purchase Treasury Shares of up to 10% of its issued share capital will expire at the conclusion of the next AGM.

The board considers it would be appropriate to renew this authority and intends to seek shareholder approval to purchase Treasury Shares of up to 10% of its issued share capital at the forthcoming AGM in line with current investor sentiment.

Details of the resolution renewing the authority are included in the Notice of AGM.

Awards under the company's employee share plans are met from a combination of shares purchased in the market and held either in treasury or in the employee share trust as well as by newly issued shares.

During the year the company transferred 558,680 shares out of treasury, to satisfy share option awards, for a total consideration of £2.2 million. It did not purchase any Treasury Shares. The maximum number of Treasury Shares held at any time during the year was 1,724,960 with a nominal value of £0.4 million.

Employee Share Trust

Bedell Trustees Limited is the trustee of the Close Brothers Group Employee Share Trust, an independent trust, which holds shares for the benefit of employees and former employees of the group. The trustee has agreed to satisfy a number of awards under the employee share plans. As part of these arrangements the company funds the trust, from time to time, to enable the trustee to acquire shares to satisfy these awards, details of which are set out in note 27 on pages 117 and 118 the Financial Statements.

During the year, the employee share trust made market purchases of 1,240,299 ordinary shares.

Report of the Directors continued

Substantial Shareholdings

Details on substantial shareholdings in the company are set out on page 56 of the Corporate Governance report.

Significant Contracts

A change of control of the company, following a takeover bid, may cause a number of agreements to which the company is party to take effect, alter or terminate. These include the company bonds due 2017, certain insurance policies, bank facility agreements and employee share plans.

The group had committed facilities totalling £1.5 billion at 31 July 2015 which contain clauses which require lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of £1.5 billion of the facilities.

All of the company's employee share plans contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject where appropriate to the satisfaction of any performance conditions at that time and pro-rating of awards.

Business Activities

The group's business activities, together with the factors likely to affect its future development and performance and its summarised financial position are set out on pages 4 to 31 of the Strategic Report.

Financial Risk Management

The group has procedures in place to identify, monitor and evaluate the significant risks it faces. The group's risk management objectives and policies are described on pages 49 and 50 and the risks associated with the group's financial instruments are analysed in note 29 on pages 120 to 130 of the Financial Statements.

Going Concern

The group has a strong, proven and conservative business model and has traded profitably during the year. It is well positioned in each of its core businesses, well capitalised, soundly funded and has adequate access to liquidity.

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

Sustainability

Information on the company's employment practices and greenhouse gas emissions is set out on pages 33, 34, 35 and 37 of the Strategic Report.

Post-balance Sheet Events

Details of post-balance sheet events are given in note 30 on page 130 of the Financial Statements.

Political Donations

No political donations were made during the year (2014: £nil).

Resolutions at the AGM

The company's AGM will be held on 19 November 2015. Resolutions to be proposed at the AGM include the renewal of the directors' authority to allot shares, the disapplication of pre-emption rights, authority for the company to purchase its own shares and the re-election of all the directors standing for reappointment.

The full text of the resolutions is set out in the Notice of AGM sent to the company's shareholders. A letter from the chairman, which explains the purpose of the resolutions, accompanies the Notice of AGM.

Auditor

Resolutions to reappoint Deloitte LLP as the company's auditor and to give the directors the authority to determine the auditor's remuneration will be proposed at the forthcoming AGM.

Disclosure of Information to Auditor

Each of the persons who are directors at the date of approval of this Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the board

Nicholas Jennings

Company Secretary

22 September 2015

Corporate Governance



Strone Macpherson,
Chairman

As chairman of Close Brothers, I view the governance and oversight of its distinctive and prudent business model and strategy as key to the continuing creation and delivery of value to its stakeholders.

To accomplish this, the board has held eight meetings this year. Prior to each meeting the board receives reports on the results of each of the three divisions and key performance indicators, together with detailed updates on the progress and implementation of the agreed strategies for each division. The board has the opportunity to discuss the reports and challenge each of the divisional chief executives, who attend all or part of the board meetings, directly on the progress and implementation of their divisional strategy. In addition, in May 2015 the board attended two strategy days dedicated to discussing and reviewing the group's long-term strategy with executive management.

The board has been unchanged this year, other than for the planned departure of Bruce Carnegie-Brown in November 2014, as a consequence of which Bridget Macaskill was appointed chairman of the Remuneration Committee and Geoffrey Howe senior independent director.

The group's overarching strategy is well defined and continuing to produce good growth and strong returns, and the board's focus has again been on reviewing its delivery by the divisions. Within the Banking division, there has been a monitoring of its major businesses, a focus on strengthening its risk management function and on the customer forums established to place particular emphasis on the provision of positive outcomes for its customers. For the Securities division the board has spent time understanding the impact of market conditions on Winterflood and reviewing regulatory developments.

In relation to Asset Management, the focus has remained on reviewing its steady progress in meeting its strategic objectives and the opportunities for growth, including from the reforms to pension saving and from the continuing challenges in the IFA sector.

The board has also spent time considering challenges facing the businesses from regulatory and industry developments, understanding the prioritisation of project expenditure and monitoring relevant trends in emerging technology.

We are committed to the principles established in the UK Corporate Governance Code ("the Code") issued by the Financial Reporting Council ("FRC") in September 2012 and this report will explain and demonstrate how the group has applied the principles set out in the Code and complied with its provisions of best practice.

Strone Macpherson
Chairman

22 September 2015

Corporate Governance continued

Compliance

The Code has been applied by the company throughout the financial year. In September 2014, the FRC updated the Code, publishing a revised UK Corporate Governance Code ("the Revised Code"). The Revised Code is not applicable to the company in the year under review, but the company has begun the process of reviewing its procedures to enable the board to report, as required, under the Revised Code in the next financial year ending 31 July 2016.

The Code sets out guidance on best practice in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice. The Financial Conduct Authority ("FCA") requires companies with a premium listing in the UK to disclose, in relation to the Code, how they have applied its principles and whether they have complied with its provisions throughout the financial year. Where the provisions have not been complied with, companies must provide an explanation for this.

It is the board's view that the company's governance regime has been fully compliant with the best practice set out in the Code for the financial year.

A copy of the Code can be found on the FRC's website: www.frc.org.uk.

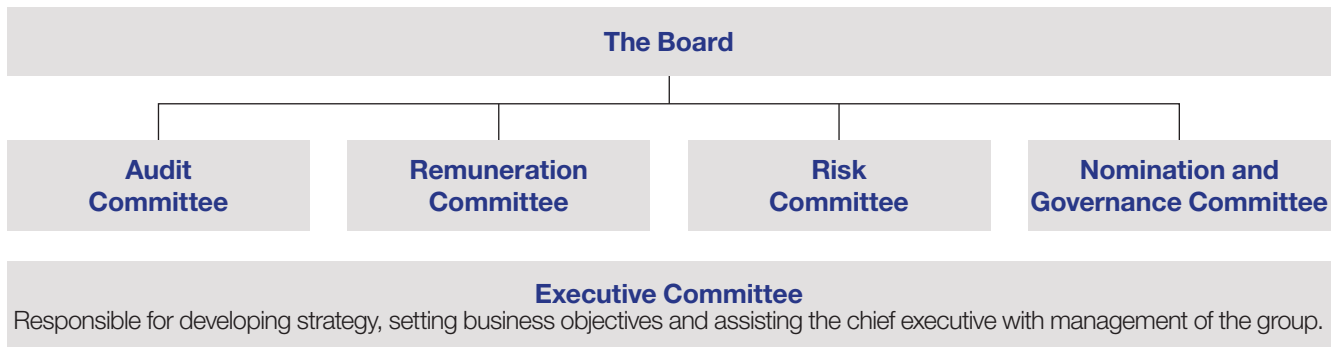
The Board

Leadership of the board

The board's primary role is to provide leadership, ensure that the company is appropriately managed and delivers long-term shareholder value. It sets the group's strategic objectives and provides direction for the group as a whole. A number of key decisions are reserved for and may only be made by the board, which enables the board and executive management to operate within a clear governance framework. These specific responsibilities are set out in a schedule of matters reserved to the board which is published on the company's website and are summarised opposite.

Governance Framework

Board governance structure



Board and committee meeting attendance 2014/2015

The attendance of directors at board and committee meetings of which they were members during the financial year is shown in the table below. Some directors also attended committee meetings as invitees during the year. This is not reflected in the table.

	Board		Audit Committee		Remuneration Committee		Risk Committee ¹			Nomination and Governance Committee	
	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Regular attended	Ad hoc attended	Eligible to attend	Attended	Eligible to attend
Executive director											
Preben Prebensen	8	8									
Jonathan Howell	8	8									
Stephen Hodges	8	8									
Elizabeth Lee	8	8									
Non-executive director											
Strone Macpherson	8	8									
Bruce Carnegie-Brown	1	1	2	2	1	1	2	–	2	2	2
Oliver Corbett	8	8	5	5	5	5	5	1	6	4	4
Geoffrey Howe ²	8	8	4	5	4	5	5	1	6	3	4
Lesley Jones	8	8	5	5	5	5	5	1	6	4	4
Bridget Macaskill	8	8	5	5	5	5	5	1	6	4	4

1 The Risk Committee held five regular meetings during the year, together with one ad hoc meeting specifically to consider the Internal Capital Adequacy Assessment Process.

2 Geoffrey Howe was unable to attend one meeting of the Audit Committee due to illness and one meeting of each of the Remuneration Committee and Nomination and Governance Committee which were unavoidably held on the same day as the annual general meeting of the Nationwide Building Society at which he retired as chairman.

Specific responsibilities

- Approval of strategy and monitoring its delivery.
- Oversight of risk management, regulatory compliance and internal control.
- Ensuring adequate financial resources.
- Acquisitions, disposals and expenditure over certain thresholds.
- Approval of communications to shareholders.
- Board membership and other appointments.
- Corporate governance matters.

The board has delegated specific powers for some matters to its committees, as set out in each committee's terms of reference. These terms of reference, which are reviewed annually, detail a full list of each committee's responsibilities and are available on our website at www.closebrothers.com/investor-relations/investor-information/corporate-governance. The chairman of each committee reports regularly to the board on matters discussed at committee meetings.

At each scheduled meeting the board receives reports from the chief executive and finance director on the performance and results of the group. In addition, the heads of the Banking, Securities and Asset Management divisions update the board on performance, strategic developments and initiatives in their respective areas and the head of legal and regulatory affairs provides updates on legal matters. In addition the board receives updates from the group operating functions on compliance, human resources, corporate development matters and internal audit.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and are reviewed at the appropriate point in the financial and regulatory cycle. Meetings are structured to ensure that there is sufficient time for consideration and debate of all matters.

During the year, the board has spent time particularly on:

- Presentations from businesses within the Banking division;
- Engagement with the regulators;
- Review of regulatory proposals on capital requirements;
- Review of the new Senior Managers Regime;
- Updates to the Banking division's Recovery & Resolution Plans and the Individual Liquidity Adequacy Assessment;
- Consideration of disposal of Close Brothers Seydler; and
- Marketing strategy.

All directors also attended a dedicated two day strategy session in May 2015 on strategy development and execution.

Board size, composition and independence

Following the AGM in November 2014 at which Bruce Carnegie-Brown stood down as a director, the board comprises nine members: the chairman, four executive directors and four independent non-executive directors.

The structure of the board ensures that no individual or group of individuals is able to dominate the decision making process and no undue reliance is placed on any individual. The board now comprises six male and three female members. This means that a third of the directors are women. The company is committed to ensuring that any vacancies that may arise are filled by the most qualified candidates and recognises the value of diversity in the

composition of the board. When board positions become available as a result of retirement, resignation or otherwise, it is focused on ensuring that a diverse pool of candidates is considered. Recent appointments have required specialist qualifications and extensive financial services experience, whilst also widening the range of insights and perspectives brought to the board's deliberations.

Details of the individual directors and their biographies are set out on pages 40 and 41.

The board has assessed the independence of each of the non-executive directors and is of the opinion that each acts in an independent and objective manner and therefore, under the Code, is independent and free from any relationship that could affect their judgement. The board's opinion was determined by considering for each non-executive director:

- Whether they are independent in character and judgement;
- How they conduct themselves in board and committee meetings;
- Whether they have any interests which may give rise to an actual or perceived conflict of interest; and
- Whether they act in the best interests of the company and of all its shareholders at all times.

The company has therefore complied with the Code provision that at least half the board, excluding the chairman, should comprise independent non-executive directors. Each non-executive director is required to confirm at least annually, whether any circumstances exist which could impair their independence.

Meetings and attendance

The board held eight scheduled meetings in addition to the two day strategy session. Details of attendance at board meetings can be found on page 46.

The directors receive detailed papers in advance of each board meeting. The board agenda is carefully structured by the chairman in consultation with the chief executive and the company secretary. Each director may review the agenda and propose items for discussion with the chairman's agreement. Additional information is also circulated to directors between meetings including relevant updates on the business and regulatory announcements.

The annual schedule of board meetings is decided a substantial time in advance in order to ensure the availability of each of the directors. In the event that directors are unable to attend meetings due to conflicts in their schedule, they receive papers in the normal manner and have the opportunity to relay their comments in advance of the meeting, as well as follow up with the chairman if necessary. The same process applies in respect of the various board committees.

Chairman and chief executive

The roles of the chairman and chief executive are separate and there is a clear division of responsibilities between the two roles. The chairman is Strone Macpherson. His other significant commitments are set out in his biography on page 41. The board is satisfied that his other commitments do not restrict him from carrying out his duties effectively.

Corporate Governance continued

As chairman, Strone Macpherson is primarily responsible for leading the board and ensuring the effective engagement and contribution of all the directors. His other responsibilities include setting the agenda for board meetings, providing the directors with information in an accurate, clear and timely manner and the promotion of effective decision making. The chairman is also charged with ensuring that the directors continually update their skills and knowledge and that the performance of the board, its committees and the individual directors is evaluated on an annual basis.

The group chief executive is Preben Prebensen who is primarily responsible for the day-to-day management of the group's business. His other responsibilities include proposing and developing strategic objectives for the group, managing the group's risk exposures in line with board policies, implementing the decisions of the board and facilitating appropriate and effective communication with shareholders and regulatory bodies.

Senior independent director

The senior independent director is Geoffrey Howe. In addition to the existing channels for shareholder communications, shareholders may discuss any issues or concerns they may have with the senior independent director.

Powers of directors

The directors are responsible for the management of the company. They may exercise all powers of the company, subject to any directions given by special resolution and the articles of association. The directors have been authorised to allot and issue ordinary shares and to make market purchases of the company's ordinary shares by virtue of resolutions passed at the company's 2014 AGM.

Board evaluation

In accordance with the Code, the board determined that the annual evaluation of the board and its committees should be undertaken externally in 2015, two years after the previous external evaluation. It was decided to bring forward the external review by a year, particularly in light of the significant change in non-executive director composition since 2013. Dr. Long of Boardroom Review Limited, who conducted previous effectiveness reviews most recently in 2013, was appointed to carry out the evaluation. Boardroom Review Limited provides no other services to the company. The evaluation explored key aspects of board and committee effectiveness through observation of meetings of the board and each of its committees, a review of board and committee information and one-to-one interviews with each of the directors.

Dr. Long presented her independent view of board strengths and future challenges to the board in July 2015, concluding that it is engaged and adding value, has many strengths, a sensible rhythm of meetings across the year and is focused on priorities. The report contained a number of observations and recommendations, designed to encourage the board to optimise its contribution to the success of the company and to add value beyond the legal requirements, by building on existing strengths, agreeing the challenges ahead and preparing for the future. The recommendations included:

- Recommendations for the refinement of agendas and the presentation of board papers, given the necessary quantity of information required to be considered;

- Suggestions for the further development of the board as a team, following the extensive non-executive director changes, and for board composition and succession planning in order to ensure continued alignment with long-term strategy;
- A discussion of alternative approaches to the review of strategy and the benefits of competitive analysis; and
- Thoughts regarding the development of remuneration strategies and executive succession planning.

The evaluation confirmed the directors' opinion that the board and its committees continue to be effective. Following discussion, it was agreed to adopt the report and to consider its recommendations with a view to producing an action plan and to review progress in six months time. It was further agreed to submit the report to the Prudential Regulation Authority ("PRA"). Dr. Long has reviewed and agreed this disclosure.

In addition to the board evaluation process, the senior independent director led a separate performance review in respect of the chairman which involved a review with the non-executive directors, excluding the chairman, and separate consultation with the chief executive. The senior independent director subsequently provided feedback to the chairman on his appraisal which confirmed his effectiveness.

Appointment of directors

The appointment of directors is governed by the company's articles of association, the Companies Act 2006 and other applicable regulations and policies. Directors may be elected by shareholders in general meeting or appointed by the board of directors in accordance with the provisions of the articles of association. The articles of association may be amended by special resolution of the shareholders and were last amended in November 2009.

In accordance with the Code all directors are subject to re-election at the AGM. The board will only recommend to shareholders that executive and non-executive directors be proposed for re-election at an AGM after evaluating the performance of the individual directors. Following the performance evaluations, the board will be recommending that all directors be re-elected by shareholders and confirms that each director continues to be effective and demonstrates commitment to their role.

Letters of appointment are available for inspection by shareholders at each AGM and during normal business hours at the company's registered office.

Induction and professional development

On appointment all new directors receive a comprehensive and personalised induction programme to familiarise them with the company and to meet their specific requirements. The company also provides bespoke inductions for directors when they are appointed as a committee chairman. Induction programmes are tailored to a director's particular requirements, but would typically include site visits, one-to-one meetings with executive directors, the company secretary, senior management for the business areas and support functions and a confidential meeting with the external auditor. Directors also receive guidance on directors' liabilities and responsibilities. Induction programmes were concluded by non-executive directors appointed during the prior year.

There is a central training programme in place for the directors which is reviewed and considered by the board. In addition, the chairman discusses and agrees any specific requirements as part of each non-executive director's half year and year end reviews. During the year, training took the form of informal meetings with senior management within the businesses and control functions, in-depth business reviews, attendance at external seminars and briefings from the regulators and from internal and external advisers covering topics such as:

- Operational risk model training;
- Developments in the digital environment;
- Corporate governance update;
- Regulatory developments; and
- UK accounting changes.

Training and development records are maintained by the company secretary and reviewed annually by the chairman and each individual director.

The company secretary is responsible for ensuring that the board procedures and applicable rules and regulations are observed. All directors have direct access to the services and advice of the company secretary who also acts as secretary to each of the board committees. Directors are able to take independent external professional advice to assist with the performance of their duties at the company's expense.

Risk and Control Framework

The board has overall responsibility for maintaining a system of internal control to ensure that an effective risk management and oversight process operates across the group. The risk management framework and associated governance arrangements are designed to ensure that there is a clear organisation structure with well defined, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the group is, or might become, exposed. The board has a well defined risk appetite with risk appetite measures which are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive the required corrective action before overall tolerance levels are reached. The risk framework through key committees, including the Risk Committee and Audit Committee, is the mechanism that ensures the board receives comprehensive risk information in a timely manner.

Identification, measurement and management of risk are fundamental to the success of the group. Over the past 12 months the group has continued to strengthen its risk management framework and further develop the group's risk committees, at both board and divisional level, and these continue to work efficiently and effectively.

The group's risk and control framework is designed to allow the capture of business opportunities while maintaining an appropriate balance of risk and reward within the group's agreed risk appetite. It further ensures that the risks to which the group is or may become exposed are appropriately identified and that those which the group chooses to take are managed, controlled and, where necessary, are mitigated so that the group is not subject to material unexpected loss.

The group reviews and adjusts its risk appetite annually as part of the strategy setting process. This aligns risk taking with the achievement of strategic objectives. Adherence to appetite is monitored by the group's risk committees.

The Risk Committee conducted its annual review of the adequacy and effectiveness of the group's risk management and internal control arrangements in relation to the group's strategy and risk profile for the financial year. This review was approved by the board which considers that it has in place adequate systems and controls with regard to the company's profile and strategy.

The risk management framework is based on the concept of "three lines of defence", as set out in the table on page 50, and the key principles underlying risk management in the group are:

- Business management own all the risks assumed throughout the group and are responsible for their management on a day-to-day basis to ensure that risk and return are balanced;
- The board and business management promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner;
- The overriding priority is to protect the group's long-term viability and produce sustainable medium to long-term revenue streams;
- Risk functions are independent of the businesses and provide oversight of and advice on the management of risk across the group;
- Risk management activities across the group are proportionate to the scale and complexity of the group's individual businesses;
- Risk mitigation and control activities are commensurate with the degree of risk; and
- Risk management and control supports decision making.

Corporate Governance continued

Risk Management Framework

First line of defence	Second line of defence	Third line of defence
<p>The businesses</p> <p>Group Risk and Compliance Committee (Reports to the Risk Committee)</p> <p>Chief executive delegates to divisional and operating business heads day-to-day responsibility for risk management, regulatory compliance, internal control and conduct in running their divisions or businesses.</p> <p>Business management has day-to-day ownership, responsibility and accountability for risks:</p> <ul style="list-style-type: none"> • Identifying and assessing risks; • Managing and controlling risks; • Measuring risk (key risk indicators/ early warning indicators); • Mitigating risks; and • Reporting risks. <p>Key features</p> <ul style="list-style-type: none"> • Promotes a strong risk culture and focus on sustainable risk-adjusted returns; • Implements the risk framework; • Promotes a culture of adhering to limits and managing risk exposures; • Promotes a culture of customer focus and appropriate behaviours; • Ongoing monitoring of positions and management of risks; • Portfolio optimisation; and • Self assessment. 	<p>Risk and Compliance</p> <p>Risk Committee (Reports to the board)</p> <p>Risk Committee delegates to the group chief risk officer day-to-day responsibility for oversight and challenge on risk related issues.</p> <p>Risk functions (including compliance) provide support and independent challenge on:</p> <ul style="list-style-type: none"> • The design and operation of the Risk framework; • Risk assessment; • Risk appetite and strategy; • Performance management; • Risk reporting; • Adequacy of mitigation plans; and • Group risk profile. <p>Key features</p> <ul style="list-style-type: none"> • Overarching “risk oversight unit” takes an integrated view of risk (qualitative and quantitative); • Risk management separate from risk control but work together; • Supports through developing and advising on risk strategies; • Creates constructive tension through challenge – “critical friend”/“trusted adviser”; and • Oversight of business conduct. 	<p>Internal Audit</p> <p>Audit Committee (Reports to the board)</p> <p>Audit Committee mandates the head of group internal audit with day-to-day responsibility for independent assurance.</p> <p>Internal audit provides independent assurance on:</p> <ul style="list-style-type: none"> • First and second line of defence; • Appropriateness/effectiveness of internal controls; and • Effectiveness of policy implementation. <p>Key features</p> <ul style="list-style-type: none"> • Draws on deep knowledge of the group and its businesses; • Independent assurance on the activities of the firm including the risk management framework; • Assesses the appropriateness and effectiveness of internal controls; and • Incorporates review of culture and conduct.



Lesley Jones,
Chairman of the
Risk Committee

The Risk Committee's principal roles and responsibilities are to support the board in its oversight of risk management across the group. The following sections set out the Committee's membership, its key responsibilities and the principal areas of risk upon which we have focused during the year. The identification, management and mitigation of risk is fundamental to the success of the group. The Committee plays an important role in setting the tone and culture that promotes effective risk management across the group.

Risk Committee Chairman's overview

The uneven recovery in the global economy continues to pose challenges for consumers and companies alike and has necessitated a continued high degree of vigilance. The UK economy has strengthened against a backdrop of tight public sector spending constraints and decreasing unemployment but remains vulnerable to Eurozone dislocation and to the uncertainties posed by a forthcoming EU referendum. These challenges, coupled with an ever-broadening regulatory agenda aimed at bolstering the strength of the banking industry and the conduct of those who work in it, have kept the Risk Committee fully occupied throughout the year. I am nevertheless pleased to report again this year that Close Brothers' prudent and consistent risk appetite has allowed us to maintain a robust capital position and a low risk profile.

As in previous years the Committee apportioned its time between the planned periodic review of key portfolio risks and the close scrutiny of new business risks as they develop. This allows us to ensure that emerging risks can be identified and debated and that management's plans for risk mitigation are well understood and appropriately resourced. During the year the Committee saw continued improvement in the quality of the management information that it receives,

facilitated by the considerable investment that the group has made in upgrading its risk and finance systems in recent years.

This remains a key focus for the Committee given its importance as a management tool to ensure that risk appetite is well understood, embedded and tracked across the many business areas.

Committee roles and responsibilities

The Committee's key roles and responsibilities are therefore in summary to:

- Oversee the maintenance and development of a supportive culture of organisation design in relation to the management of risk;
- Review and set risk appetite, which is the level of risk the group is willing to take in pursuit of its strategic objectives;
- Monitor the group's risk profile against the prescribed appetite;
- Review the effectiveness of the risk framework to ensure that key risks are identified and appropriately managed; and
- Provide input from a risk perspective into the alignment of remuneration with performance against risk appetite (through the Remuneration Committee).

Corporate Governance continued

Membership and meetings

The Committee comprises each of the independent non-executive directors, with me as chairman. Five scheduled meetings were held during the year and these were supplemented by an additional meeting for review of the Internal Capital Adequacy Assessment Process ("ICAAP") and its assumptions.

Full details of attendance by the non-executive directors at these meetings during the year are set out on page 46.

In addition to the members of the Committee, standing invitations are extended to the company chairman, the executive directors, chief risk officer and risk team, head of compliance and the head of internal audit who attend all meetings as a matter of practice and have supported and informed the Committee's discussions.

Other executives, subject matter experts and external advisers may also be invited to attend the Committee to present and advise on reports commissioned.

I meet regularly with the chief risk officer and his risk team in a combination of formal and informal sessions, and with senior management across all divisions of the group to discuss the business environment and to gather their views of emerging risks.

Activity in 2015 financial year

Consistent with our plan to continue enhancing our overall risk management environment, April 2015 saw the appointment of a new chief risk officer. This has supported the continued evolution and strengthening of the risk function across the group in a manner consistent with the three lines of defence model, an industry and regulatory standard. This has also allowed us to drive further improvement in the management information that is available to the Committee, from both a financial and non-financial risk perspective.

The Committee additionally received regular updates across the spectrum of operational risks and information technology, in response both to the growing threat posed by cyber crime and more exacting data management requirements driven by previous incidents elsewhere in the industry. Several of

these kinds of risks were stressed in various scenarios as part of the annual ICAAP process. Following robust debate and challenge, the Committee and board were satisfied that the group's business model and allocated risk appetite remained appropriate under each of the modelled scenarios. Risk around relationships with third parties also remained under review to ensure that outsourcing arrangements are appropriately controlled and the financial condition of third party agents or suppliers is monitored and understood. The identification and management of conduct risk, including associated management information, continues to be strengthened, so that the board can be comfortable that its understanding of the embedded risk culture is well founded.

The Committee maintained its oversight, review and challenge of the change management programmes across the group, and in our regular meetings there is specific focus on the progress of key projects and initiatives.

We continue to actively engage with the PRA and FCA with regards to proposed new regulation and the ongoing effective operation of the group's risk framework.

Remuneration

We provided input to the Remuneration Committee to ensure that risk behaviours and the management of operational risk incidents over the course of the financial year were appropriately reflected in the annual management performance and compensation review process.

Looking ahead to 2016

Key priorities for the coming year include:

- Further development of the methodologies supporting the allocation and management of risk appetite.
- Updating and enhancing the group's risk framework, policies and standards, to further embed policy approval and governance.
- Continued development of management information as well as the planned evolution of our risk systems to enhance further the efficiency of the Committee.

Lesley Jones

Chairman of the Risk Committee

22 September 2015



Oliver Corbett,
Chairman of the
Audit Committee

This report sets out the role and responsibilities of the Audit Committee and the principal areas which the Committee has focused on during the year. The Committee continues to be effective in supporting the board in its oversight of the group's financial reporting and internal controls.

Audit Committee

Chairman's overview

This year the Committee has again primarily focused on the review and challenge of the key accounting judgements underpinning the group's financial statements. We also commissioned and received an independent assessment of the internal audit function, continued to review the group's processes to ensure its external reporting is fair, balanced and understandable; considered the rationale and evidence to support the going concern assumption and received an assessment of additional regulatory reporting and its impact on resources in our finance teams.

Looking ahead, the Committee will be focused on future accounting changes particularly with regard to credit provisioning, as well as preparing for the external audit tender which we expect to take place by 2017.

Committee roles and responsibilities

The Committee's key roles and responsibilities are to:

- Monitor the integrity of the group's external financial reporting, in particular reviewing significant financial reporting judgements to ensure they are appropriate;
- Review the effectiveness of the group's internal controls; and
- Monitor and review the activities and performance of both internal and external audit.

Membership and meetings

The Committee comprises each of the independent non-executive directors and me as chairman.

The Committee acts independently of the executive to ensure the interests of shareholders are protected. Each of the Committee members is independent. Five meetings were held during the year scheduled to coincide with the financial reporting cycle of the group. Each of the Committee members attended all meetings held with the exception of Geoffrey Howe who missed one meeting. Full details of attendance are shown in the table on page 46.

The qualifications of the members of the Committee are outlined in their biographies on page 41. I am deemed to have recent and relevant experience by the board.

Standing invitations are extended to the chairman of the board and the executive directors, all of whom attend meetings as a matter of practice. I meet with the group finance director, the heads of internal audit, risk and compliance and the group financial controller in advance of each of the scheduled meetings to agree the agenda and receive full briefing on relevant issues. This group also attends the meetings by invitation together with other senior executives as required. The lead external audit partner attends all of the Committee meetings and meets in private with the Committee on each occasion. In addition I have had regular contact with the lead audit partner throughout the year.

Corporate Governance continued

Key Accounting Judgements

Credit provisioning

The Committee considered a paper setting out the group's provisioning policies and the governance processes in place to ensure compliance with those policies.

The Committee challenged management and the external auditor on the level of provisioning and the consistency of the policies applied in the current year. The Committee concluded that the approach taken was consistent and appropriate and that the judgements were reasonable.

The Committee was also updated by management on the work being undertaken in preparation for the new accounting requirements relating to accounting for expected losses as part of International Financial Reporting Standard ("IFRS") 9 "Financial instruments".

Revenue recognition

The Committee reviewed the group's accounting policies on revenue recognition and in particular the timing of recognition and consistency of approach with prior periods. The Committee considered the approach to interest income, fee and commission income and gains less losses from dealing in securities.

The Committee was satisfied that the approach to revenue recognition was appropriate and has been consistently applied across the group.

Goodwill

The Committee reviewed the annual assessment of the carrying value of goodwill. The results of the group's value in use calculations were reviewed and the key assumptions regarding discount rates and forecast future earnings were challenged. Noting the levels of headroom above carrying value, the Committee agreed with management's conclusion that the carrying value of goodwill remains appropriate.

Other accounting treatments

The Committee also reviewed a number of other accounting treatments during the year. In particular the Committee reviewed the proposed accounting treatment of the Close Brothers Seydler disposal and the disclosure and treatment of one-off revenues received in the Securities and Asset Management divisions.

Internal Audit

The group has operated a co-source internal audit function with PwC since 2009. This provides flexible resourcing and ensures access to a full range of audit expertise across the group's businesses. The Committee continues to monitor the level and mix of co-source and internal resources and has again concluded that they remain appropriate.

During the year the Committee approved the annual internal audit plan. It also received a report from the head of internal audit at each meeting summarising audits concluded in the period and updates on outstanding agreed actions from previous reports including explanations around any overdue actions. The function completed 25 audits across the group during the 2015 financial year. The head of internal audit meets the Committee privately at each meeting as well as meeting regularly with the Audit Committee chairman throughout the year.

An external effectiveness review of the internal audit function was undertaken in the year. The group's policy is to carry out such a review every five years. The report concluded that the function is effective and identified a number of minor areas where enhancements could be made which will be fully implemented in the coming year.

External Audit

The Committee assesses the independence and objectivity, qualifications and effectiveness of the external auditor on an annual basis. The Committee also concludes on whether to recommend the reappointment of the auditor to the board.

Our annual evaluation focused on the following key areas:

- The quality of audit expertise, judgement and dialogue with the Committee and senior management.
- The independence and objectivity demonstrated by the audit team.
- The quality of service including consistency of approach and responsiveness.

This process was facilitated by an enhanced group-wide survey of finance teams, formal interviews with management, a survey of the Deloitte LLP senior audit team's view on the group and a review of audit and non-audit fees.

The Committee oversees the group's policy on the provision of non-audit services by the external auditor. The Committee continues to see benefits for the group in engaging Deloitte LLP where:

- Work is closely related to the audit;
- A detailed understanding of the group is required; and
- Deloitte LLP is able to provide a higher quality and/or better value service.

However, the key principle of our policy is that permission to engage the external auditor will always be refused when a threat to independence and/or objectivity is perceived.

During the year non-audit fees amounted to £0.6 million and were 56% of the overall audit fee (2014: 92%). Non-audit fees in the year were:

	£ million
Assurance work on:	
Systems and controls	0.3
Securitisation funding	0.1
Tax compliance	0.2
	0.6

The Committee concluded that all of these fees fell within its criteria for engaging Deloitte LLP and does not believe they pose a threat to the auditor's independence or objectivity.

The Committee has concluded that Deloitte LLP remain independent and that their audit is effective. Deloitte LLP or its predecessor firm has audited the group since it was first listed in 1984, but has only acted as the group's sole auditor since 2008. Although a full audit tender was not carried out, a detailed proposal was reviewed at that time prior to Deloitte LLP's appointment as sole auditor to the group. No audit tender is planned for the current year given the continuing effectiveness of Deloitte LLP. However, as previously reported the Committee intends that an audit tender will take place no later than completion of the current lead partner's five year term in 2017 in line with the Code and within the transitional period set out in recent EU legislation.

Oliver Corbett

Audit Committee Chairman

22 September 2015

Nomination and Governance Committee

This report sets out the role and responsibilities of the Nomination and Governance Committee.

Committee roles and responsibilities

The Committee's key roles and responsibilities are:

- Regularly reviewing the structure, size and composition of the board;
- Considering the leadership needs of the group and considering succession planning for directors and other senior executives;
- Considering the appointment or retirement of directors;
- Evaluation of the skills, knowledge and experience required for a particular appointment, normally with the assistance of external advisers used to facilitate the search for suitable candidates; and
- Assessing the contribution of non-executive directors.

Membership and meetings

The Committee comprises Geoffrey Howe, the senior independent director, Oliver Corbett, Lesley Jones and Bridget Macaskill who chair the Audit, Risk and Remuneration Committees respectively and me as chairman. Bruce Carnegie-Brown was also a member until 20 November 2014. Each of the Committee members is independent. Four meetings were held during the year. All members attended each of the meetings held during their tenure of office, except that Geoffrey Howe was unable to attend one of them. In addition, the chief executive attends meetings by invitation, as does the group head of human resources when presenting a review of talent and executive management succession planning.

Activity in 2015 financial year

During the year the Committee focused on:

- Appointment of a new senior independent director and Remuneration Committee chairman;
- Talent review and executive management succession planning;
- Reviewing the non-executive directors' skill sets to ensure that an appropriate balance of skills has been maintained; and
- Board evaluation.

The Committee recommended the appointment of Geoffrey Howe as senior independent director on the basis of his extensive experience and contribution since his appointment to the board in 2011. It nominated Bridget Macaskill as chairman of the Remuneration Committee in line with its succession plan, following her appointment to the board in November 2013. Bridget Macaskill has significant remuneration committee credentials and familiarity with FCA/PRA and EU remuneration regulations.

Strone Macpherson

Chairman of the Nomination and Governance Committee

22 September 2015

Corporate Governance continued

Remuneration Committee

The Report of the Board on Directors' Remuneration is set out on pages 58 to 77.

Conflicts of Interest

The articles of association include provisions giving the directors authority to approve conflicts of interest and potential conflicts of interest as permitted under the Companies Act 2006.

A procedure has been established whereby actual and potential conflicts of interest are regularly reviewed and appropriate authorisation sought, prior to the appointment of any new director or if a new conflict arises. The decision to authorise a conflict of interest can only be made by non-conflicted directors and in making such a decision the directors must act in a way they consider, in good faith, will be most likely to promote the success of the company. The board believes this procedure operated effectively throughout the year.

Investor Relations

The group has a comprehensive investor relations ("IR") programme to ensure that current and potential shareholders, as well as financial analysts, are kept well informed of the group's performance and have appropriate access to management to understand the company's business and strategy.

The board believes it is important to maintain open and constructive relationships with all shareholders. The IR team, reporting to the finance director, are responsible for managing a structured programme of meetings, calls and presentations around the financial reporting calendar as well as throughout the year. The chief executive and finance director meet with the group's major institutional shareholders on a regular basis. In addition, the chairman arranges to meet with them once a year to discuss challenges facing the board, particularly in relation to strategy, corporate governance and succession planning. Separately the senior independent director is available, should shareholders wish to discuss any concerns they may have.

All shareholders also have the opportunity to raise questions with the board at the AGM, either in person or by submitting written questions in advance. The chairman of each of the board committees attends the AGM and all other directors are expected to attend the meeting.

The board is regularly updated on the IR programme. An IR report, summarising share price performance, share register composition and feedback from any investor meetings, is produced for each board meeting.

All results announcements, annual reports, regulatory news announcements, presentations, webcasts and other relevant documents are available on the IR section of the group website (www.closebrothers.com/investor-relations). The group's investor briefcase app for iPads and iPhones also offers analysts and investors access to financial reports, presentations and news releases.

Substantial Shareholdings

The company has been notified to 11 September 2015 under the provisions of the Disclosure and Transparency Rules of the following significant interests in the voting rights of the company.

	Ordinary shares millions	Voting rights %
Standard Life Investments	18.0	12.05
M&G Investment Management	10.0	6.81
Aberdeen Asset Managers	9.5	6.42
Royal London Asset Management	4.5	3.03

Substantial shareholders do not have different voting rights from those of other shareholders.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and accounts in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with IFRSs as adopted by the European Union and Article 4 of the International Accounting Standards ("IAS") Regulation. The directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

In preparing the group financial statements, IAS 1 requires that directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- The Strategic Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the group's performance, business model and strategy.

By order of the board

Nicholas Jennings
Company Secretary

22 September 2015

Report of the Board on Directors' Remuneration



Bridget Macaskill,
Chairman of the
Remuneration Committee

This report sets out our approach to remuneration for the group's employees and directors for the 2015 financial year.

This report has been prepared in compliance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and the listing rules. It has been approved by the board. Certain parts of this report are audited by the company's auditor Deloitte LLP and are marked as "audited" for clarity.

Annual Statement from the Remuneration Committee Chair

On behalf of the Remuneration Committee (hereafter referred to in this report as the "Committee"), I am pleased to present the report on directors' remuneration for the 2015 financial year. This is my first report since becoming chairman of the Committee in November 2014. On behalf of the board, I would like to thank my predecessor, Bruce Carnegie-Brown for his service as chairman.

The report is split into three sections:

Governance (page 60)

This section of the report covers the objectives, responsibilities, membership and activities of the Committee during the 2015 financial year.

The Directors' Remuneration Policy (pages 60 to 68)

The group's policy on directors' remuneration and the key factors taken into account in setting the policy are covered in this section. This policy was approved by shareholders for the following three years at the AGM on 20 November 2014.

The Annual Report on Remuneration (pages 69 to 77)

This section reports on the payments and awards made to the directors and details the link between company performance and remuneration for the 2015 financial year. The Annual Report on Remuneration together with this annual statement is subject to an advisory shareholder vote at the AGM on 19 November 2015.

At a Glance

How we performed

As reported in the Financial Overview section on pages 14 to 19 of the Strategic Report, this has been another year of strong performance across the group, driven by continued good performance from the Banking division and good growth in Asset Management. The key performance indicators with regards to remuneration are shown in the table below. The bonuses for the executive directors ("EDs") have increased slightly this year, driven by strong performance. However, the single figure totals of remuneration have all decreased, primarily due to the impact of share price movement.

Key performance indicator	2015	2014 ¹
Return on equity	19.5%	18.5%
Adjusted operating profit	£224.9 million	£200.6 million
Compounded adjusted earnings per share growth ²	79.0%	60.6%
Total shareholder return per annum ³	33.9%	24.5%
Distributions to shareholders	£79.1 million	£71.8 million

1 2014 performance measurement based on continuing and discontinued operations.

2 For the three year periods ended 31 July 2015 and 31 July 2014.

3 For the three year periods ended 31 July 2015 and 31 July 2014 based on the average three month share price prior to that date.

Key changes during the financial year

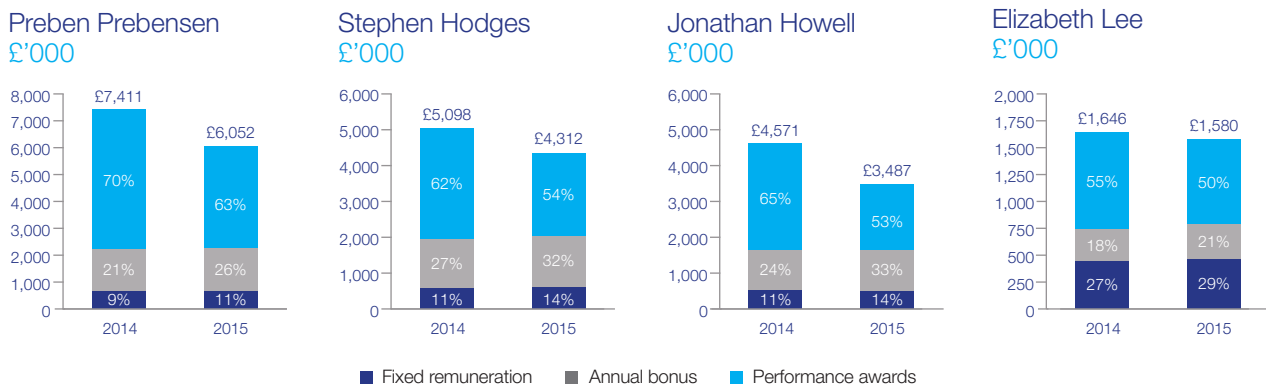
This year we have introduced clawback on all variable remuneration for the EDs, to allow the recovery of variable remuneration where appropriate. Clawback will extend to three years for cash bonuses, deferred bonuses and invested shares under the Share Matching Plan ("SMP"), and to four years for the Long Term Incentive Plan ("LTIP") and Matched SMP shares. The other key details are outlined in the policy table on pages 61 to 64.

This is an addition to the remuneration policy that was approved by 92.5% of shareholders for the following three years at the AGM held on 20 November 2014. A binding shareholder vote is required on this policy at least every three years, or in the event that the company wishes to make any significant changes to the policy. Since clawback is a provision of the Revised Code, and the Committee believes it can operate these provisions within the remit of the existing policy, it is not our intention to put the remuneration policy to a vote at the AGM to be held on 19 November 2015.

Major Decisions on Remuneration for the Financial Year

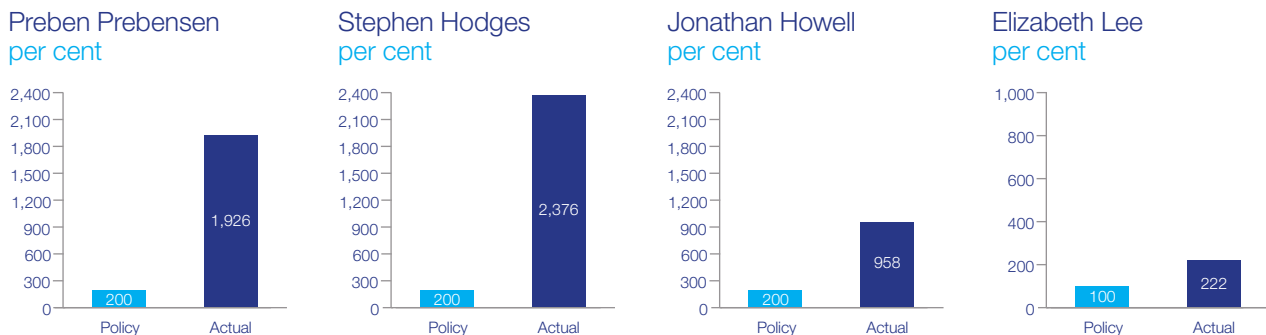
	Chief executive	Managing director and Banking chief executive	Finance director	Group head of legal and regulatory affairs
	Preben Prebensen	Stephen Hodges	Jonathan Howell	Elizabeth Lee
Previous salary	£528,000	£475,000	£400,000	£360,000
Salary with effect from 1 August 2015	£540,000	£485,000	£408,000	£367,500
Percentage salary increase	2.3%	2.1%	2.0%	2.1%
2015 bonus	£1,552,000	£1,405,000	£1,135,000	£335,000
Percentage change in bonus from 2014	0.8%	1.4%	0.9%	11.7%
2015 bonus as a per cent of 2015 salary	294%	296%	284%	93%
2015 LTIP award	£1,000,000	£850,000	£750,000	£400,000
Percentage change in LTIP award from 2014	0.0%	0.0%	0.0%	0.0%
2015 LTIP award as a per cent of 2015 salary	189%	179%	188%	111%

EDs' Remuneration and Shareholdings
Single total figure of remuneration¹



¹ See page 69 for details.

Value of shareholding versus shareholding policy¹ as a percentage of salary



¹ See EDs' Shareholding and Share Interests table on page 74 for details.

Report of the Board on Directors' Remuneration

continued

Looking Forward to 2016

2016 is going to be another busy year for the Committee. If the proposed amendments to the application of the Capital Requirements Directive, currently in consultation by the European Banking Authority, are implemented, this will require a redesign of our remuneration policy. The most significant proposed change would see the application of a cap on variable remuneration of one times fixed remuneration, rising to two times with shareholder approval. We anticipate consulting with shareholders about any proposed amendments to the remuneration structure in the summer of 2016, and presenting a revised remuneration policy for approval by shareholders at the AGM in November 2016.

I hope that you will find this report on the directors' remuneration useful, understandable and clear.

Bridget Macaskill

Chairman of the Remuneration Committee

22 September 2015

Governance Remuneration Committee

Committee roles and responsibilities

The Committee's key objectives are to:

- Determine the over-arching principles and parameters of the remuneration policy on a group-wide basis;
- Establish and maintain a competitive remuneration package to attract, motivate and retain high calibre EDs and senior management across the group;
- Promote the achievement of the group's annual plans and its strategic objectives by providing a remuneration package that contains appropriately motivating targets that are consistent with the group's risk appetite; and
- Align senior executives' remuneration with the interests of shareholders.

The Committee's main responsibilities are to:

- Review and determine the total remuneration packages of EDs and other senior executives in consultation with the chairman and chief executive and within the terms of the agreed policy;
- Approve the design and targets of any performance related pay schemes operated by the group;
- Review the design of all employee share incentive plans;
- Ensure that contractual terms on termination and any payments made are fair to the individual and the group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- Review any major changes in employee benefits structures throughout the group;
- Select, appoint and determine terms of reference for independent remuneration consultants to advise the Committee on remuneration policy and levels of remuneration;
- Ensure that the remuneration structures in the group are compliant with the rules and requirements of regulators, and all relevant legislation;
- Ensure that provisions regarding disclosure of remuneration are fulfilled; and
- Seek advice from group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the group's risk appetite.

Membership

The Committee comprises Bridget Macaskill as chairman, together with each of the other independent non-executive directors. Five meetings were held during the year and a record of attendance at meetings is set out on page 46.

The chairman of the board, chief executive, group head of human resources and the head of reward and HR operations also attend meetings.

Activity in the 2015 financial year

The Committee has a standing calendar of items within its remit. In addition to these standing items, it discusses matters relating to the operation of the remuneration policy and emerging regulatory and market practices. The key issues that the Committee focused on during the year were as follows:

- The introduction of clawback on variable remuneration for EDs;
- The review of the annual bonus targets and objectives for EDs;
- An external review of the reporting to the Committee;
- Assessment of the vesting of LTIP and SMP awards;
- Regular reviews of regulatory and legislative changes and developments;
- Review of the remuneration structure for senior employees;
- Review of the remuneration structure for employees in control and support functions;
- Review of the approach to employee sales incentive schemes in the group;
- The implementation of the Share Incentive Plan ("SIP") for employees; and
- The annual performance, salary and variable remuneration review.

Directors' Remuneration Policy

This section sets out the company's remuneration policy for directors and explains each element and how it operates.

The reward structure aims to:

- Attract, motivate and retain high calibre employees across the group;
- Reward good performance;
- Promote the achievement of the group's annual plans and its long-term strategic objectives;
- Align the interests of employees with those of all key stakeholders in particular our shareholders, clients and regulators; and
- Support effective risk management and promote a positive client conduct culture.

There is one significant change to the policy this year, which is the introduction of clawback on all variable remuneration for EDs. The cash bonus is subject to clawback for a period of three years from award. The deferred bonus vests in equal tranches over three years, and is subject to malus prior to vesting and clawback for three years from the date of grant.

The LTIP is subject to malus for the three year period to the point of vesting, and is subject to clawback for four years from the date of grant. The Invested SMP shares are subject to malus until vesting and to clawback for three years from the date of grant, while the Matched SMP shares are subject to malus until vesting and to clawback for four years from the date of grant.

The events which may trigger malus are as follows:

- The ED's employment has been terminated for misconduct or the ED has been issued with a formal disciplinary warning for misconduct under the firm's disciplinary policy; or
- The firm suffers a material loss where the ED has operated outside the risk parameters or risk profile applicable to their position and as such the Committee considers a material failure in risk management has occurred; or
- The level of the award is not sustainable when assessing the overall financial viability of the firm.

In the event that one of these is triggered, the Committee may, at its discretion, defer and/or reduce, in whole or in part any unvested award.

The events which may trigger clawback are as follows:

- Discovery of a material mis-statement resulting in an adjustment in the audited consolidated accounts of the company, or the audited accounts of any material subsidiary; or
- The assessment of any performance target or condition in respect of an award was based on material error, or materially inaccurate or misleading information; or
- The discovery that any information used to determine the bonus and number of shares subject to an award was based on material error, or materially inaccurate or misleading information; or
- Action or conduct of a participant which, in the reasonable opinion of the board, amounts to fraud or gross misconduct.

In the event that one of these is triggered, the Committee may require the ED to repay all or part of a relevant award, and any associated dividend equivalents.

Remuneration Policy for EDs

Element and how it supports the company's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p>Base salary Attracts and retains high calibre employees.</p> <p>Reflects the employee's role and experience.</p>	<p>Set annually based on the individual's role and experience, pay for the broader employee population, and external factors, where applicable.</p> <p>Increases normally take effect from 1 August.</p> <p>Paid monthly in cash.</p> <p>Increases will generally not exceed increases for the broader employee population unless there is a change in role or responsibility.</p>	None.
<p>Benefits Enables the EDs to perform their role effectively by contributing to their wellbeing and security.</p> <p>Provides competitive benefits consistent with the role.</p>	<p>Private medical cover.</p> <p>Health screening.</p> <p>Life assurance cover.</p> <p>Income protection cover.</p> <p>Allowance in lieu of a company car.</p> <p>The maximum allowance in lieu of a company car is £18,000 for the chief executive and £12,000 for the other EDs.</p> <p>Other benefits provided from time to time.</p>	None.
<p>Pension Provides an appropriate and competitive level of personal and dependant retirement benefits.</p>	<p>Cash allowance in lieu of employer pension contributions equal to 22.5% of base salary.</p> <p>The maximum is 22.5% of base salary and the absolute values will only increase in line with any base salary increases.</p>	None.

Report of the Board on Directors' Remuneration

continued

Element and how it supports the company's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p>Annual bonus Rewards good performance.</p> <p>Motivates employees to support the group's goals, strategies and values over both the medium and long term.</p> <p>Aligns the interests of senior employees and executives with those of key stakeholders, including shareholders, and increases retention for senior employees, through the use of deferrals.</p>	<p>Set annually based on the achievement of pre-determined objectives.</p> <p>Annual bonus up to 100% of base salary is delivered in cash.</p> <p>Annual bonus above 100% of base salary is deferred into group shares vesting one third per year over three years.</p> <p>Shares may be called for at any time up to 12 months from the date of vesting. When the shares are called for, the ED is entitled to the gross value of accumulated dividends in respect of the shares held under the deferred awards prior to calling.</p> <p>The annual bonus for EDs is capped at 300% of base salary.</p> <p>The annual bonus for the group head of legal and regulatory affairs is capped at 100% of base salary given that this is a control function, and so a lower proportion of the remuneration should be variable.</p>	<p>Individual bonuses are determined based on both financial and non-financial performance, including adherence to relevant risk and control frameworks.</p> <p>The financial measure used to determine the bonus is return on opening equity ("RoE"). The non-financial metric is individual performance. This includes risk, compliance and control measures, and others applicable to each role. The actual performance targets will be set at the beginning of each financial year, but will not be disclosed in advance for commercial sensitivity reasons.</p> <p>The actual targets set for each year will be designed to align the interests of EDs with the key stakeholders over the medium term, be challenging but also provide an effective incentive for the EDs.</p> <p>60% of the annual bonus for the chief executive, the Banking chief executive and the finance director will be determined based on RoE. 40% of the annual bonus for the group head of legal and regulatory affairs will be determined based on RoE. The remainder will be determined based on individual performance.</p> <p>Threshold performance would result in a bonus of no more than one third of the maximum being paid for the chief executive, the Banking chief executive and the finance director, and no more than 60% of the maximum being paid for the group head of legal and regulatory affairs.</p> <p>The deferred awards would be forfeited if the ED leaves employment in certain circumstances or is dismissed for cause before the relevant vesting date.</p> <p>The cash and deferred bonuses are subject to clawback and/or malus conditions, as outlined on page 60.</p>

Element and how it supports the company's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p>Long Term Incentive Plan</p> <p>Motivates executives to achieve the group's longer-term strategic objectives.</p> <p>Aids the attraction and retention of key staff.</p> <p>Aligns executive interests with those of shareholders.</p>	<p>Awards are made in the form of nil cost options or conditional shares.</p> <p>Awards vest after three years subject to achieving absolute total shareholder return ("TSR"), adjusted earnings per share ("EPS") growth and Risk Management objectives.</p> <p>On vesting, EDs receive an amount (in cash or shares) equal to the dividends which would have been paid on vested shares during the period from the beginning of the performance period to the time that the ED calls for the award.</p> <p>EDs are eligible to receive an annual award of shares with a face value of up to 200% of base salary, excluding dividend equivalents.</p> <p>The group head of legal and regulatory affairs is eligible to receive an annual award of shares with a face value of up to 125% of base salary, excluding dividend equivalents, given that this is a control function, and so a lower proportion of remuneration should be variable.</p>	<p>Awards vest after three years subject to achieving TSR, adjusted EPS growth and Risk Management objectives.</p> <p>The weighting of the performance measures is 40% TSR, 40% adjusted EPS and 20% Risk Management objectives.</p> <p>The TSR and adjusted EPS performance targets are determined at the time of each grant, are set to support the objectives of the LTIP and be challenging but achievable.</p> <p>The Risk Management objectives are: capital and balance sheet management; and risk, compliance and controls. These two elements have equal weighting.</p> <p>For each element of the award, vesting starts at 25% for threshold performance, rising on a straight line basis to 100% for maximum performance.</p> <p>The actual target ranges set for each grant and performance against the targets at vesting will be reported in the Annual Report on Remuneration for the relevant financial years.</p> <p>The LTIP awards will be forfeited if the ED leaves employment in certain circumstances or is dismissed for cause before the relevant vesting date.</p> <p>The LTIP awards are subject to malus and clawback conditions, as outlined on page 61.</p>
<p>Share Matching Plan</p> <p>Aligns the interests of executives with those of shareholders.</p>	<p>EDs can choose to invest up to a maximum value of 100% of base salary from their bonus into Close Brothers Group plc shares ("Invested Shares") for three years.</p> <p>Invested Shares are matched with free matching shares ("Matching Shares") for every Invested Share.</p> <p>The Invested Shares are released in full at the end of the three year deferral.</p> <p>The Matching Shares are subject to performance conditions over the three year deferral period.</p> <p>On vesting, EDs receive an amount (in cash or shares) equal to the dividends which would have been paid on vested shares during the period from the beginning of the performance period to the time that the ED calls for the award.</p> <p>The maximum matching ratio will be two Matching Shares for each Invested Share.</p>	<p>The performance conditions for the Matching Shares are the same as the performance conditions in respect of the LTIP awards, outlined above.</p> <p>For each performance element of the Matching Share award, vesting starts at 25% for threshold performance, rising on a straight line basis to 100% for maximum performance.</p> <p>The actual target ranges set for each grant and performance against the targets at vesting will be reported in the Annual Report on Remuneration for the relevant financial years.</p> <p>The Invested Shares and Matching Shares are forfeited if the ED leaves employment in certain circumstances or is dismissed for cause before the relevant vesting date.</p> <p>The Invested Shares and Matching Shares are subject to malus and clawback conditions, as outlined on page 61.</p>

Report of the Board on Directors' Remuneration

continued

Element and how it supports the company's short-term and long-term strategic objectives	Operation and maximum payable	Performance framework, recovery and withholding
<p>Save As You Earn ("SAYE") Aligns the interests of executives with those of shareholders through building a shareholding.</p>	<p>Employees save a fixed amount per month over a three or five year time frame.</p> <p>At the end of the period employees can withdraw all of their savings, or use some or all of their savings to buy shares at the guaranteed option price.</p> <p>The option price is set at the beginning of the participation period and is usually set at a 20% discount to the share price at invitation.</p> <p>Employees can make total maximum contributions of £6,000 per annum, in line with HMRC rules.</p> <p>The Committee reserves the discretion to increase the maximum contributions in line with any HMRC rule changes during the period of the policy.</p>	<p>None as this is a voluntary scheme where employees have invested their own earnings.</p>
<p>Share Incentive Plan Aligns the interests of executives with those of shareholders through building a shareholding.</p>	<p>Employees are able to contribute up to a maximum of £1,800 per year from pre-income tax and national insurance earnings to buy Partnership Shares.</p> <p>At present the Committee has determined that employees have the ability to buy Partnership Shares; however it retains the discretion to offer Matching Shares of up to twice the number of Partnership Shares. This will be on the same basis for all employees should the Committee exercise this discretion.</p> <p>Dividends paid on shares held in the SIP are to be reinvested to acquire further Dividend Shares.</p> <p>The Committee reserves the discretion to increase the maximum contributions in line with any HMRC rule changes during the period of the policy.</p>	<p>None as this is a voluntary scheme where employees have invested their own earnings.</p>
<p>Shareholding requirement Aligns the interests of executives with those of shareholders.</p>	<p>The chief executive, the Banking chief executive and the finance director are required to build and maintain a shareholding of 200% of base salary over a reasonable timeframe. The group head of legal and regulatory affairs is required to build a shareholding of 100% of base salary, given that this is a control function. Short-term share price fluctuations are disregarded for these calculations.</p>	<p>None.</p>
<p>Other</p>	<p>The company will pay legal, training and other reasonable and appropriate fees incurred by the EDs as a result of doing their job.</p>	<p>None.</p>
<p>Legacy arrangements</p>	<p>The company will have the ability to honour any commitments entered into with current or former directors that were disclosed to shareholders in remuneration reports prior to the 2014 remuneration report.</p> <p>The Committee reserves the right to allow awards to vest or make payments subject to arrangements that were granted or agreed before the individual became a director and not in contemplation of becoming a director.</p>	<p>None.</p>

Additional Details on the Remuneration Policy

Annual bonus: Performance measures and targets

Role	Per cent determined by RoE	Per cent determined by achievement against personal goals	Examples of personal goals
Chief executive	60%	40%	Strategic: Maintain discipline of the Banking model particularly as competition increases and maintain momentum in Asset Management. People: Develop senior succession and support pipeline talent programmes. Business delivery: Deliver versus key group metrics.
Banking chief executive	60%	40%	Strategic: Maintain discipline of funding and lending models and progress strategic and tactical initiatives. People: Develop senior succession and support pipeline talent programmes. Business delivery: Deliver against key metrics, principally in the Banking division and maintain cost discipline and prioritise spending.
Finance director	60%	40%	Strategic: Manage the positioning of our strategy and results with investors and analysts. Manage the level of group capital, including both regulatory and economic.
Group head of legal and regulatory affairs	40%	60%	Strategic: Play a leadership role in all regulatory issues, including advice on key decisions as we address PRA/FCA requirements and standards. Risk and compliance: Ensure operation within the agreed risk appetite and continue to enhance the control environment and supporting infrastructure.

The Committee chose RoE as a performance measure as it aligns the interests of the shareholders and the executives and it captures both profit and capital management metrics. Individual performance was selected to ensure that the EDs are implementing and executing the groups' strategies and objectives over the short and medium term. Risk, compliance and controls are included as part of the personal objectives to ensure that the EDs set the right tone from the top and ensure the company maintains the appropriate risk and compliance discipline.

The actual performance targets for each financial year will be set at the beginning of the financial year based on prior year performance, the budget for the following year, and other internal and external factors as appropriate.

LTIP and SMP: Performance measures

Adjusted EPS was chosen as a performance measure as the Committee believes it is the best measure of long-term performance for the group. Absolute TSR was selected as it is the key objective for most of our shareholders and it supports both the delivery of a good RoE for shareholders and strong alignment of interests between executives and shareholders. Capital and balance sheet management was included to ensure capital is used efficiently and in a disciplined way to support the long-term health of the group. Risk, compliance and controls was selected to ensure that the long-term interests of the group are protected and to support key requirements for our business such as good customer outcomes.

Additional details on performance measures for the annual bonus, LTIP and SMP

The Committee has the discretion to change the overall weighting of each category over the duration of the policy where it is deemed appropriate and reasonable to do so.

The Committee can also make adjustments to performance targets to reflect significant one-off items which occur during the measurement period (for example a major transaction), where it is deemed appropriate and reasonable to do so. The Committee will make full and clear disclosure of any such adjustments within the Annual Report on Remuneration for the relevant financial year.

Consistency of executive remuneration across the group

The pay and employment conditions of employees within the group were taken into consideration when setting the policy and pay of the EDs. The Committee does not formally consult with employees when setting the policy, however the employee opinion survey conducted every two years includes remuneration as one of the topics surveyed.

The principles of remuneration are applied throughout the group and are designed to support the group's key attributes across our businesses, which are expertise, service and relationships. Remuneration structures and arrangements for employees below the EDs are based on the individual's role, experience, performance and relevant market practice.

Annual bonuses for those below ED level are based on role, business performance, market conditions and individual performance. These bonuses are not capped; however highly remunerated employees have a portion of their bonus deferred. For the majority of employees the bonus deferral policy is in line with the EDs, although there are differing approaches in some parts of the group.

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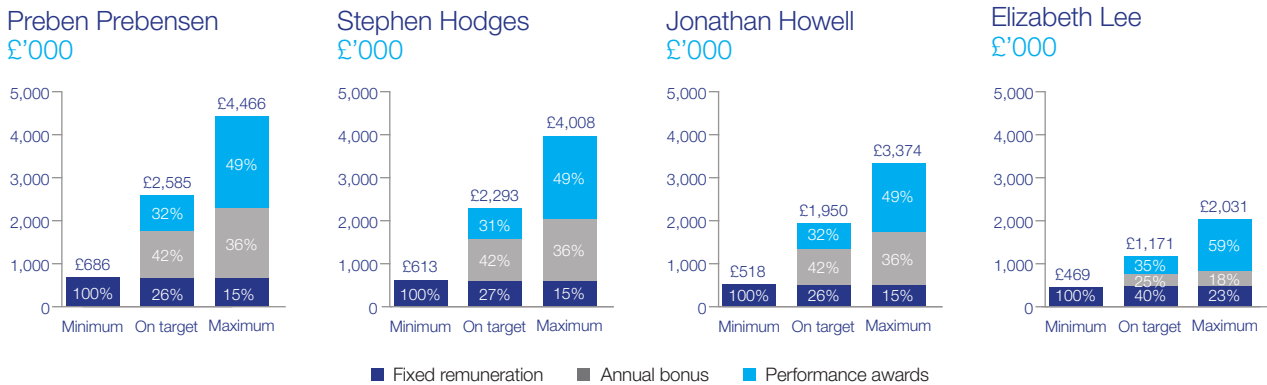
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A limited group of senior employees receive LTIP awards, generally on the same basis as the EDs, but the maximum face value of these awards is generally at or below the level of the employee's base salary.

Members of the group Executive Committee who are not EDs are required to build and maintain shareholdings of at least one times base salary and as such are also eligible to participate in the SMP. No other employees have shareholding requirements or are eligible to participate in the SMP.

All employees are eligible to participate in the SAYE and SIP plans.

Illustrations of Application of Remuneration Policy for EDs



The following assumptions were made in developing the scenarios:

Element	Assumptions used
Fixed remuneration	Consists of 2016 base salary, 2016 benefits and 2016 pension allowance.
Minimum	No variable elements are awarded.
On target	Annual bonus: Awarded at 200% of base salary for all EDs, with the exception of Elizabeth Lee, where the award is 80% of base salary. LTIP: Awards with a face value of £1,000,000 for Preben Prebensen, £850,000 for Stephen Hodges, £750,000 for Jonathan Howell and £400,000 for Elizabeth Lee (the level of the financial year 2015 awards) and vesting at 53% (average level of vesting for the five years up to and including 2014). SMP: The ED invests 50% of the policy maximum in the SMP, the investment is matched at two times the Invested Shares and vests at 53% (average level of vesting for the five years up to and including 2014).
Maximum	Annual bonus: Awarded at policy maximum (300% of base salary for all EDs, with the exception of Elizabeth Lee, where the policy maximum is 100% of base salary). LTIP: Maximum award with a face value equal to 200% of base salary for all EDs with the exception of Elizabeth Lee where the award is 125% of salary. Assumes 100% vesting. SMP: The executive invests 100% of the maximum in the SMP (that is equal to 100% of base salary), the investment is matched at two times the Invested Shares and vests at 100%.
Other	No adjustment for share price growth or dividends paid.

At maximum performance, the ratio of financial to non-financial measures for the EDs across the annual bonus, LTIP and SMP is approximately 70% to 30%. The Committee believes this combination provides a good balance of financial and non-financial measures, supports the medium and long-term strategic objectives of the group, and alignment of EDs' and shareholders' interests.

Approach to Recruitment Remuneration

The remuneration package for new EDs will comply with the Remuneration Policy for EDs outlined on pages 61 to 64. The Committee will seek to pay no more than is necessary to secure the right candidate. The Committee may seek to “buy out” remuneration that the director forfeits as a result of joining the company. In such cases, the Committee will seek to replace this with awards that match the quantum and terms of the forfeited awards as closely as possible. There may be situations where a new director has to relocate in order to take up the post with the company. In such situations reasonable financial and, or, practical support will be provided to enable the relocation. This may include the cost of any tax that is incurred as a result of the move.

Service Contracts and Policy for Payment on Loss of Office

Standard provision	Policy	Details
Notice period	12 months notice from the company. 12 months notice from the ED.	EDs may be required to work during the notice period or may be provided with pay in lieu of notice if not required to work the full period. All EDs are subject to annual re-election by shareholders.
Compensation for loss of office in service contracts	No more than 12 months' salary, pension allowance and benefits.	Payment will be commensurate with the company's legal obligations and we will seek appropriate mitigation of loss by the ED.
Treatment of annual bonus on termination	The standard approach is no payment unless employed on date of payment.	The Committee may award a pro-rated bonus to “good leavers” (as determined by the Committee) in certain circumstances, although there is no automatic entitlement. “Good leaver” status may be granted in cases such as death, disability or retirement. The Committee has discretion to reduce the entitlement of a “good leaver” in line with performance, the circumstances of the termination, and the malus conditions outlined in the policy table. The Committee also has the ability to recover annual bonuses in line with the clawback conditions outlined in the policy table.
Treatment of unvested deferred awards under the annual bonus plan and the Invested Shares under the SMP	The Committee has the discretion under the relevant plan rules to determine whether “good leaver” status should be applied on termination. The current approach provides that discretion may be afforded in cases such as death, disability, retirement, redundancy or mutual separation.	Where the director is designated a “good leaver”, awards vest in full over the original schedule and remain subject to the malus conditions. The deferred shares are released in full in the event of a change in control. Awards lapse in the event the employee is declared bankrupt, joins another financial services company within 12 months of termination (unless this condition is waived under “good leaver” status), or leaves and is not designated a “good leaver”. These are also subject to the clawback conditions.
Treatment of the LTIP and the Matched Shares under the SMP	All awards lapse except for “good leavers”. The Committee has the discretion under the relevant plan rules to determine how “good leaver” status should be applied on termination. The current approach provides that discretion may be afforded in cases such as death, disability, retirement, redundancy or mutual separation.	For “good leavers”, vesting is pro-rated for the period of employment during the performance period. Vesting is subject to the achievement over the original performance period against the performance targets and is on the original schedule. Awards remain subject to the malus and clawback conditions. In the event of a change in control, the awards will vest subject to the service factor and the achievement against the performance targets at that point. However, the Committee retains the discretion to increase the amount vesting depending on the circumstances of the change in control.
Outside appointments	EDs may accept external appointments.	Board approval must be sought before accepting the appointment. The fees may be retained by the director.

Report of the Board on Directors' Remuneration

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Standard provision	Policy	Details
Chairman and non-executive directors	Engaged under letters of appointment for terms not exceeding three years. Renewable by mutual agreement and can be terminated on one month's notice.	All non-executive directors are subject to annual re-election. No compensation is payable if required to stand down.
Other	The company may pay settlement payments, legal, training and outplacement fees incurred on exit, if appropriate.	
Other notable provisions in service contracts	There are no other notable provisions in the service contracts.	

Copies of the directors' service contracts and letters of appointment are available for inspection at the company's registered office.

Dates of EDs' Service Contracts

Name	Date of service contract
Preben Prebensen	9 February 2009
Stephen Hodges	22 January 2001
Jonathan Howell	8 October 2007
Elizabeth Lee	1 August 2012

Remuneration Policy for the Chairman and Independent Non-executive Directors

Element and how it supports the company's short-term and long-term strategic objectives	Operation and maximum payable
<p>Fees</p> <p>Attract and retain a chairman and independent non-executive directors who have the requisite skills and experience to determine the strategy of the group and oversee its implementation.</p>	<p>Fees are paid in cash and are reviewed periodically.</p> <p>Fees for the chairman and non-executive directors are set by the board based on a recommendation from the Nomination and Governance Committee. The non-executive directors do not participate in that discussion.</p> <p>The chairman of the board receives a fee as chairman but receives no other fees for chairmanship or membership of any committees.</p> <p>Non-executive directors receive a base fee.</p> <p>The senior independent director receives an additional fee for this role.</p> <p>Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees.</p> <p>Additional fees are paid for membership of committees, with the exception of the Nomination and Governance Committee, for which no additional fees are payable.</p> <p>The chairman and non-executive directors are entitled to claim reimbursement for reasonable expenses incurred performing their duties for the company, including travel expenses.</p> <p>Overall aggregate fees will remain within the £1 million authorised by our articles of association.</p> <p>There is no performance framework, recovery or withholding.</p>

Non-executive Directors' Appointment Letters

Name	Date of initial appointment	Current letter of appointment start date	Date of resignation
Bruce Carnegie-Brown	22 June 2006		20 November 2014
Oliver Corbett	3 June 2014	20 November 2014	
Geoffrey Howe	4 January 2011	20 November 2014	
Lesley Jones	23 December 2013	20 November 2014	
Bridget Macaskill	21 November 2013	20 November 2014	
Strone Macpherson	3 March 2003	20 November 2014	

Consideration of Shareholders' Views

The chairman of the board consults our key shareholders on a regular basis on key issues, including remuneration. The Committee took issues of concern raised by shareholders in prior years into account when determining the policy.

Annual Report on Remuneration

This section explains how our Directors' Remuneration Policy was implemented during 2015.

Single Total Figure of Remuneration for EDs (Audited)

Name	Salary		Benefits		Annual bonus		Performance awards ¹		Pension		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Preben Prebensen	528	513	20	24	1,552	1,539	3,833	5,220	119	115	6,052	7,411
Stephen Hodges	475	462	13	14	1,405	1,386	2,312	3,132	107	104	4,312	5,098
Jonathan Howell	400	390	14	14	1,135	1,125	1,848	2,954	90	88	3,487	4,571
Elizabeth Lee	360	350	13	16	335	300	791	901	81	79	1,580	1,646

1 The figures for the performance awards for 2014 have been recalculated using the actual share price on the dates of vesting for the Matching Share Award, LTIP and SMP Matched shares. These were £14.25 for Matching Share Award and £14.60 for LTIP and SMP Matched Shares. As highlighted in the 2014 report, the three month average to 31 July 2014 was used for the 2014 report given that the awards were vesting after publication of the report.

Link between reward and performance

The group's financial results have been strong this year, and over the past three years. Adjusted operating profit has increased 16% in the year to £224.9 million, and it has grown 68% or 19% per annum compounded over the last three financial years. RoE has increased from 17.9% in 2014 to 19.5% this year, and it is up from 12.5% in 2012. Dividend growth was 9% this year and dividend cover has increased to 2.3 times, from 2.1 times last year and 1.6 times in 2012.

The strong RoE has been reflected in the EDs' bonuses, with the element of the bonus determined based on RoE being 97.7% of the potential maximum. The compounded adjusted EPS growth of 79.0% over the last three years has resulted in the EPS element of the LTIP vesting at 100%. The compounded TSR of 33.9% per annum has exceeded the maximum target under the LTIP and this has therefore also vested at 100%. The very strong approach to capital management combined with a good performance in risk, compliance and controls mean that the Risk Management objectives element vested at 86.7%. As a result, the LTIP will vest at 97.3% this year.

Additional Disclosures on the Single Total Figure of Remuneration for EDs Table (Audited)

Salary

The per annum salaries paid during the year are as shown in the single figure of remuneration table above. The increase was with effect from 1 August 2014. When reviewing salary levels, the Committee takes into account the individual's role and experience, pay for the broader employee population, and external factors, where applicable. The increases for financial year 2015 for EDs were all less than the average increase for employees of 3%.

Benefits

The EDs each received an allowance in lieu of a company car. Preben Prebensen received £18,000 while the others received £12,000. These have not been increased since 2012. They also received private health cover. The discount to the share price on grant of SAYE options is included in the year of grant. Preben Prebensen and Elizabeth Lee elected to participate in SAYE in financial year 2014.

Pension

The EDs all received a monthly cash pension allowance equivalent to 22.5% of base salary. They do not receive any additional pension provision.

Annual bonus: Achievement against targets

The bonuses for EDs were determined with reference to RoE targets and stretching personal goals relevant to each ED's role and business accountabilities. The RoE for financial year 2015 was 19.5% against a maximum target of 20%, warranting an award of 97.7% of the potential maximum bonus. Any annual bonus above the level of the 2015 base salary was deferred into group shares vesting one third per year over three years in line with the approach outlined in the Remuneration Policy on page 62.

Achievement Against Annual Bonus Targets

Name	Financial target (RoE)				Personal objectives				Total bonus awarded ('000s)
	Weighting	Potential maximum ('000s)	Actual per cent awarded	Actual amount awarded ('000s)	Weighting	Potential maximum ('000s)	Actual per cent awarded	Actual amount awarded ('000s)	
Preben Prebensen	60%	£950	97.7%	£928	40%	£634	98.5%	£624	£1,552
Stephen Hodges	60%	£855	97.7%	£835	40%	£570	100.0%	£570	£1,405
Jonathan Howell	60%	£720	97.7%	£703	40%	£480	90.0%	£432	£1,135
Elizabeth Lee	40%	£144	97.7%	£141	60%	£216	90.0%	£194	£335

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Annual bonus: Examples of personal goals for the 2015 financial year

All of the EDs have delivered very strong performance against their personal goals. The Committee assessed each ED against their personal objectives and determined that each would be granted the percentages of the maximum bonuses for the personal objectives indicated on page 69.

Examples of Personal Goals for the 2015 Financial Year

Name	Examples of personal goals
Preben Prebensen	Execute group strategy, including maintaining the discipline of the Banking model and the momentum in Asset Management. Promote the importance of a sound risk culture, with appropriate governance and remain abreast of regulatory and legislative issues.
Stephen Hodges	Maintain the discipline of funding and lending models. Exploit growth opportunities consistent with the model. Maintain cost discipline and prioritise spending.
Jonathan Howell	Manage the level of group capital, including both regulatory and economic. Manage the positioning of our strategy with investors and analysts.
Elizabeth Lee	Play a leadership role in all regulatory issues, including advice on key decisions as we address PRA/FCA requirements and standards. Taking responsibility for management and oversight of all critical legal issues affecting the group.

Performance awards

The figures for the performance awards include the 2012 LTIP grant and the 2012 Matching Shares under the SMP. Both of these will vest on 2 October 2015.

The performance targets for the 2012 awards vesting in 2015 were weighted 40% adjusted EPS, 40% absolute TSR and 20% Risk Management objectives. The adjusted EPS targets were RPI +3% per annum to RPI +10% per annum and the absolute TSR targets were +10% per annum to +20% per annum. Compounded adjusted EPS growth over the three year period to 2015 was a very strong 21.4% per annum, whilst the TSR was 33.9% per annum, meaning both elements will vest at 100%. The Risk Management objectives of the 2012 LTIP and SMP Matching Shares were assessed at 86.7% by the Committee. More details on the rationale for the assessment are provided in the table below. Accordingly, the 2012 LTIP and SMP Matching Shares will vest at 97.3%. The LTIP and SMP awards vested at 95% in 2014.

The share price for the LTIP and SMP Matching Shares increased by 85% over the three year period from the date of grant to the end of the performance period. The average share price used to value the awards due to vest in October 2015 was 1,556.8p (from 1 May 2015 to 31 July 2015, which was the performance measurement period). The 2012 LTIP and SMP awards were originally granted at 839.6p. As a result the EDs have been well rewarded and these rewards are aligned with shareholders who have also benefited due to this significant share price increase over the period.

The values for Preben Prebensen for 2014 include the final tranche of his Matching Share Award ("MSA") that was granted in 2009. There are no further MSA awards outstanding for Preben Prebensen to be reported in future.

The performance awards also include the amount (in cash or shares) equal to the dividends which would have been paid during the period from the beginning of the performance period to the time that the awards vest. The strong, progressive dividend payout also contributed significantly to the single figures for remuneration.

The Committee assessed performance against the Risk Management objectives after each of the three years of the LTIP performance period. The results of each assessment are shown below.

Details of the Assessment of the Risk Management Objectives for the LTIP and SMP

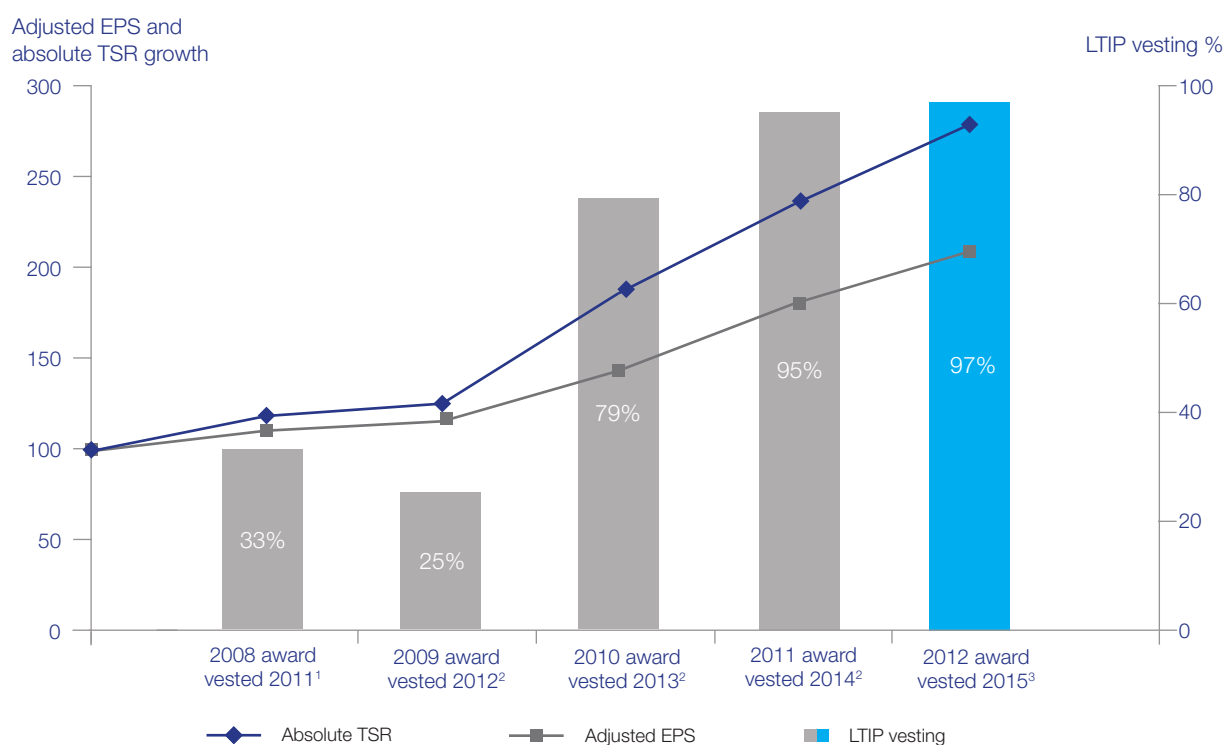
Performance measure	Year one assessment	Year two assessment	Year three assessment	Overall vesting	Comments
Capital and balance sheet management	100%	100%	100%	100%	Capital, balance sheet management, funding and liquidity were very strong in financial year 2015, and good progress was made over the year. The prudent approach, strong financial position and consistent track record resulted in Moody's Investor Services upgrading our credit rating. There were no negative incidents of any size during the year.
Risk, compliance and controls	70%	70%	80%	73.3%	Strong regulatory relationships. Strengthened key leadership in risk and compliance, and IT. The Committee recognised that there have been significant improvements in risk, compliance and controls but are cognisant that the bar is rising.
Overall vesting				86.7%	

Details of the Overall Vesting for the LTIP and SMP

Performance measure	Threshold target	Maximum target	Actual achieved	Overall vesting
Adjusted EPS growth	RPI +3% p.a.	RPI +10% p.a.	21.4% p.a.	100%
TSR	+10% p.a.	+20% p.a.	33.9% p.a.	100%
Risk Management objectives	n/a	n/a	See table on page 70	86.7%
Overall vesting				97.3%

Historical Vesting of LTIP Awards Compared to Adjusted EPS and Absolute TSR

The following graph and table show the level of LTIP vesting following performance testing for the last five years.



Note: This graph shows the vesting percentage of the LTIP compared with the adjusted EPS rebased to 100 at 31 July 2010, and the TSR based on £100 invested in Close Brothers Group plc on 31 July 2010.

LTIP Vesting for the Last Five Years

Year awarded	Year vested	Vesting percentage			Total
		Adjusted EPS	TSR	Goals	
2008 ¹	2011	–	100%	n/a	33%
2009 ²	2012	–	–	76%	25%
2010 ²	2013	66%	92%	80%	79%
2011 ²	2014	100%	100%	85%	95%
2012³	2015	100%	100%	87%	97%

1 Vesting was subject to two thirds adjusted EPS and one third TSR for all awards granted up to and including 2008.

2 Vesting was subject to one third adjusted EPS, one third absolute TSR and one third Strategic Goals for all awards granted between 2009 and 2011, inclusive.

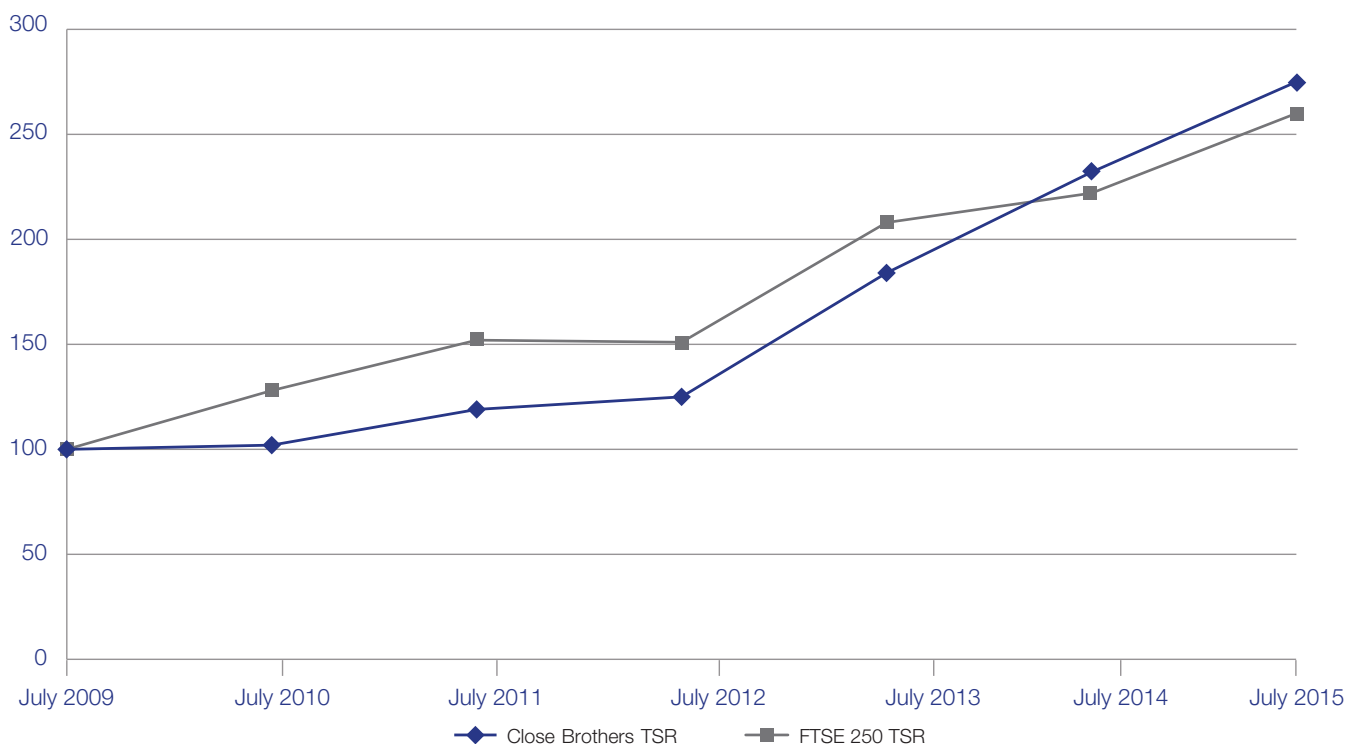
3 Vesting was subject to 40% adjusted EPS, 40% absolute TSR and 20% Risk Management objectives for the 2012 award.

Report of the Board on Directors' Remuneration

continued

Performance Graph

The graph below shows a comparison of TSR for the company's shares for the six years ended 31 July 2015 against the TSR for the companies comprising the FTSE 250 Index. TSR has been calculated assuming that all dividends are reinvested on their ex-dividend date. The index has been selected because the company has been a constituent of the index throughout the period. The closing mid-market price of the company's shares on 31 July 2015 was 1,453p and the range during the year was 1,247p to 1,664p.



Source: Thomson Reuters Datastream.

Note: This graph shows the value, by 31 July 2015, of £100 invested in Close Brothers Group plc on 31 July 2009 compared with the value of £100 invested in the FTSE 250 Index. The other points plotted are the intervening financial year ends.

Chief Executive: Historical Information (Audited)

	2010	2011	2012	2013	2014 ¹	2015
Preben Prebensen						
Single figure of total remuneration ('000) ²	£1,890	£2,187	£2,496	£5,748	£7,411	£6,052
Annual Bonus against maximum opportunity	90%	95%	90%	100%	100%	98%
LTIP, SMP and MSA vesting	33%	33%	25%	79%	95%	97%

1 The figures for the performance awards for 2014 have been recalculated using the actual share price on the dates of vesting for the MSA, LTIP and SMP Matched shares. These were £14.25 for MSA and £14.60 for LTIP and SMP Matched Shares. As highlighted in the 2014 report, the three month average to 31 July 2014 was used for the 2014 report given that the awards were vesting after publication of the report.

2 The figures for 2011 to 2014 include the MSA awards that were granted in 2009 at the time of Preben Prebensen's appointment as chief executive. There are no further outstanding MSA awards to be reported in the future.

Change in Remuneration of the Chief Executive

The following table shows how the remuneration of the chief executive increased compared to the general employee population for the 2015 financial year. The Committee deemed it appropriate that the salary increase for Preben Prebensen should be approximately in line with that for the general employee population. The change in bonus for Preben Prebensen reflects the achievement against the RoE and personal goals targets, outlined on page 69. The reduction in average bonus for the general employee population primarily reflects the reduction in trading income in Winterflood, leading to a reduction in bonuses in that division. The average increase in bonus for the general employee population excluding Winterflood was 1%.

	Average change in salary from 1 August 2014 ¹	Average change in benefits from 1 August 2014 ²	Average change in annual bonus for 2015 ³
Preben Prebensen	3%	3%	1%
All employee population	3%	3%	(4)%

1 Calculated as the average percentage increase in salary for those eligible for an increase at 1 August 2014.

2 Calculated as the average percentage increase in benefits for those eligible for a salary increase at 1 August 2014.

3 The percentage increase in the average bonus calculated as the total bonus spend divided by the average headcount for financial years 2014 and 2015.

Relative Importance of Spend on Pay

The following table shows the total remuneration paid compared to the total distributions to shareholders.

	2015 £ million	2014 £ million
Remuneration paid ¹	248.4	243.9
Distributions to shareholders ²	79.1	71.8

1 2014 includes remuneration paid to Close Brothers Seydler (£11.8 million).

2 Interim dividend paid and final dividend proposed for the financial year.

Scheme Interests Awarded during the Year (Audited)

The face value and key details of the share awards granted in the 2015 financial year are shown in the table below. These were all delivered as nil cost options. The Deferred Share Award ("DSA") is a mandatory deferral of a portion of the annual bonus. The share price used to calculate the number of shares awarded was £14.294, the average mid-market closing price for the five days prior to grant.

Name	Award type	Vesting period	Performance conditions	Face value '000	Percentage vesting at threshold	Number of shares	Vesting/ performance period end date
Preben Prebensen	DSA ¹	1–3 years	No	£513	n/a	35,890	30 Sep 2017
	LTIP	3 years	Yes	£1,000	25%	69,960	30 Sep 2017
	SMP – Invested	3 years	No	£513	n/a	35,890	30 Sep 2017
	SMP – Matching	3 years	Yes	£1,026	25%	71,779	30 Sep 2017
Stephen Hodges	DSA ¹	1–3 years	No	£462	n/a	32,322	30 Sep 2017
	LTIP	3 years	Yes	£850	25%	59,466	30 Sep 2017
	SMP – Invested	3 years	No	£462	n/a	32,322	30 Sep 2017
	SMP – Matching	3 years	Yes	£924	25%	64,643	30 Sep 2017
Jonathan Howell	DSA ¹	1–3 years	No	£345	n/a	24,137	30 Sep 2017
	LTIP	3 years	Yes	£750	25%	52,470	30 Sep 2017
	SMP – Invested	3 years	No	£390	n/a	27,285	30 Sep 2017
	SMP – Matching	3 years	Yes	£780	25%	54,569	30 Sep 2017
Elizabeth Lee	DSA ¹	1–3 years	No	–	n/a	–	30 Sep 2017
	LTIP	3 years	Yes	£400	25%	27,984	30 Sep 2017
	SMP – Invested	3 years	No	£200	n/a	13,992	30 Sep 2017
	SMP – Matching	3 years	Yes	£400	25%	27,984	30 Sep 2017

1 The DSA vests one third per year over three years.

Report of the Board on Directors' Remuneration

continued

Performance conditions

During the year, the Committee undertook an extensive review of the adjusted EPS and absolute TSR growth targets and determined that the targets for the LTIP and SMP Matching Share award grants this year should be unchanged from the 2014 grants, as outlined in the table below. The Committee believes these are appropriately stretching and effectively align the executives' interests with those of shareholders.

Element	Threshold vesting (25% vests)	Maximum vesting (100% vests)
Absolute TSR ¹	+10% p.a.	+20% p.a. or greater
Adjusted EPS ¹	RPI +3% p.a.	RPI +10% p.a. or greater

¹ There is straight-line vesting between the threshold and maximum targets.

External Appointments

Jonathan Howell received £77,000 in fees (2014: £71,333) from The Sage Group plc during the Close Brothers financial year 2015. None of the other EDs held any external directorships during the year.

Payments to Past Directors (Audited)

There were no payments to past directors after they had left office during the year.

Payments for Loss of Office (Audited)

There were no payments made to directors for loss of office during the year.

Statement of Voting on the Remuneration Report at the 2014 AGM

	For	Against	Number of abstentions
Directors Remuneration Policy	92.5%	7.5%	5,247,011
Annual Report on Remuneration	89.0%	11.0%	766,968

The primary reasons cited for the votes against, and actions taken in response are as follows:

Reason	Action taken by the Committee
Adjusted EPS targets in the LTIP not challenging enough against analyst forecasts	The adjusted EPS targets were reviewed this year and not adjusted, as outlined above. The Committee believes these targets are challenging and align with the company's long-term strategic objectives. Analyst forecasts frequently assume a continuation of the current strong performance, and whilst they are used as a point of reference, they are not an appropriate measure to be used in isolation.
Level of disclosure on annual bonus determination	We have improved the level of disclosure about the determination of annual bonuses. Please see pages 69 and 70.

EDs' Shareholding and Share Interests (Audited)

The interests of the directors in the ordinary shares of the company at 31 July 2015 are set out below:

Name	Shareholding requirement ¹	Number of shares owned outright ² 2015	Outstanding share awards not subject to performance conditions ³		Outstanding share awards subject to performance conditions ⁴		Outstanding options ⁵	
			2015	2014	2015	2014	2015	2014
Preben Prebensen	72,678	700,028	202,683	214,539	540,919	742,618	1,745	1,745
Stephen Hodges	65,382	776,616	176,909	231,963	407,323	490,705	–	1,645
Jonathan Howell	55,059	263,596	115,276	117,367	347,403	436,101	–	–
Elizabeth Lee	24,777	54,917	33,273	33,323	150,992	154,714	1,745	1,745

¹ Based on the closing mid-market share price of 1,453p on 31 July 2015.

² This includes shares owned outright by connected persons.

³ This includes DSA and SMP Invested Shares.

⁴ This includes LTIP awards, SMP Matching Shares and MSA (MSA only for Preben Prebensen in 2014).

⁵ This comprises SAYE options.

No EDs held shares that were vested but unexercised at 31 July 2015. There were no changes in notifiable interests between 31 July 2015 and 11 September 2015, other than the purchase by Preben Prebensen within the SIP which increased his shareholding to 700,048 shares.

Details of EDs' Share Exercises During the Year (Audited)

Name	Award type	Held at 1 August 2014	Called ¹	Lapsed	Market price on award p	Market price on calling p	Total value on calling ¹ £	Dividends paid on vested shares £
Preben Prebensen	2013 DSA	42,801	14,252	–	1,168.2	1,400.0	199,528	7,284
	2011 LTIP	138,768	131,830	6,938	684.6	1,400.0	1,845,620	188,956
	2011 SMP – Invested	69,384	69,384	–	684.6	1,400.0	971,376	99,450
	2011 SMP – Matching	138,768	131,830	6,938	684.6	1,400.0	1,845,620	188,956
	2009 MSA ²	65,902	62,607	3,295	643.0	1,424.8	892,012	178,523
Stephen Hodges	2009 DSA	46,406	46,406	–	793.0	1,545.0	716,973	123,492
	2011 DSA	1,131	1,131	–	684.6	1,455.0	16,456	1,621
	2013 DSA	74,474	24,799	–	1,168.2	1,455.0	360,825	12,675
	2011 LTIP	112,767	107,129	5,638	684.6	1,455.0	1,558,727	153,552
	2011 SMP – Invested	47,362	47,362	–	684.6	1,455.0	689,117	67,886
	2011 SMP – Matching	94,724	89,988	4,736	684.6	1,455.0	1,309,325	128,983
Jonathan Howell	2013 DSA	29,105	9,691	–	1,168.2	1,493.2	144,707	8,453
	2011 LTIP	108,093	102,689	5,404	684.6	1,592.0	1,634,809	204,808
	2011 SMP – Invested	43,822	43,822	–	684.6	1,592.0	697,646	87,401
	2011 SMP – Matching	87,644	83,262	4,382	684.6	1,592.0	1,325,531	166,061
Elizabeth Lee	2011 LTIP ³	37,282	35,000	2,282	684.6	1,341.0	469,350	62,806
	2011 LTIP ³	8,366	8,366	–	684.6	1,556.7	130,230	15,012
	2011 SMP – Invested	14,042	14,042	–	684.6	1,556.7	218,585	25,198
	2011 SMP – Matching	14,042	13,340	702	684.6	1,556.7	207,658	23,938

1 These are the actual number of shares and values realised on calling and may not sum due to rounding.

2 This is the fourth and final tranche of the MSA which vested in September 2014.

3 Total 2011 LTIP award of 45,648 called over two separate occasions.

Notes to the details of directors' share exercises during the year

The DSA is a mandatory deferral of a portion of the annual bonus.

The DSA, LTIP and SMP consist of the right for EDs to call for shares in the company from the employee benefit trust or treasury shares, at nil cost, together with a cash amount representing accrued notional dividends thereon. The DSA, LTIP and SMP awards may be forfeited if the ED leaves employment in certain circumstances preceding the vesting date. They may be called for at any time up to 12 months from the date of vesting. The value of the awards is charged to the group's income statement in the year to which the award relates for the DSA and SMP Invested Shares, and spread over the vesting period for the LTIP and SMP Matching Share awards.

The LTIP awards are held under the 2009 LTIP and are subject to the performance criteria described in the remuneration policy on page 63. The SMP Matching Shares are subject to the same performance criteria.

Preben Prebensen joined the group as chief executive on 1 April 2009. His remuneration package as agreed prior to the commencement of his employment included a MSA. The MSA was subject to a personal investment in shares of £500,000, satisfaction of the same performance conditions as the 2009 LTIP and continued employment until the vesting date. The final annual tranche of Preben Prebensen's MSA vested on 23 September 2014, with vesting subject to the 2011 LTIP award performance conditions. As outlined in the section Performance Awards on page 70, this vested at 95%.

Details of EDs' Option Exercises during the Year (Audited)

Name	Award type	Held at 1 August 2014	Exercised	Lapsed	Exercise price	Market price on exercise	Gain on calling
Stephen Hodges	2011 SAYE	1,645	1,645	–	547p	1,552p	£16,532

Report of the Board on Directors' Remuneration

continued

Single Total Figure of Remuneration for Non-executive Directors (Audited)

Name	Fees		Total	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Bruce Carnegie-Brown ¹	32	105	32	105
Oliver Corbett ²	95	13	95	13
Geoffrey Howe ³	83	76	83	76
Lesley Jones ⁴	94	52	94	52
Bridget Macaskill ⁵	89	53	89	53
Strone Macpherson	210	210	210	210

1 Bruce Carnegie-Brown resigned as a director on 20 November 2014.

2 Oliver Corbett was appointed a director on 3 June 2014.

3 Geoffrey Howe acted as interim chairman of the Audit Committee in July 2014 and was appointed senior independent director on 20 November 2014.

4 Lesley Jones was appointed a director on 23 December 2013.

5 Bridget Macaskill was appointed a director on 21 November 2013 and chairman of the Remuneration Committee in November 2014.

Notes to the single total figure of remuneration for non-executive directors

The fees payable to non-executive directors for the 2015 and 2016 financial years are as follows:

Role	2016	2015
Chairman ¹	£220,000	£210,000
Non-executive director	£65,000	£60,000
Supplements		
Senior independent director	£15,000	£10,000
Chairman of Audit Committee	£25,000	£25,000
Chairman of Remuneration Committee	£25,000	£25,000
Chairman of Risk Committee	£25,000	£25,000
Committee membership ²	£5,000	£5,000

1 The chairman receives no other fees for chairmanship or membership of board committees.

2 No fees are payable to the chairman, or for membership, of the Nomination and Governance Committee.

Non-executive Directors' Share Interests (Audited)

The interests of the directors in the ordinary shares of the company are set out below:

Name	Shares held beneficially at 31 July 2015 ¹	Shares held beneficially at 31 July 2014
Bruce Carnegie-Brown ²	20,000	20,000
Oliver Corbett	–	–
Geoffrey Howe	5,000	5,000
Lesley Jones	–	–
Bridget Macaskill	2,500	2,500
Strone Macpherson	13,300	13,300

1 Or the date of retirement, if earlier.

2 Bruce Carnegie-Brown resigned as a director on 20 November 2014.

There were no changes in notifiable interests between 31 July 2015 and 11 September 2015.

Advice

During the year under review and up to the date of this report, the Committee consulted and took advice from the following advisers and executives:

- PwC;
- Chairman of the board;
- Chief executive;
- Group head of human resources;
- Head of reward and HR operations;
- Group chief risk officer; and
- Group company secretary.

Where the Committee seeks advice from employees this never relates to their own remuneration.

PwC also provided consultancy services to the group during the financial year and were originally engaged to advise on remuneration in 2008. PwC is a member of, and adheres to, the Remuneration Consultants Group Voluntary Code of Conduct. PwC were paid £103,825 in fees for remuneration services related to the 2015 financial year. The Committee has satisfied themselves that the advice received from all parties named above was objective and independent.

Statement of Implementation of Remuneration Policy in the Following Financial Year

Salary

The Committee approved the following salary increases for the EDs with effect from 1 August 2015:

- Preben Prebensen to £540,000 (2.3% increase);
- Stephen Hodges to £485,000 (2.1% increase);
- Jonathan Howell to £408,000 (2.0% increase); and
- Elizabeth Lee to £367,500 (2.1% increase).

These were determined with reference to the ED's role and experience, increases for the broader population and external factors. The Committee determined that it was appropriate for the increases for the EDs to be lower than the average for the general employee population of approximately 3%.

Benefits

The EDs will receive benefits in line with those outlined in the Remuneration Policy table on page 61. There will be no increases to the allowances or benefits, other than any potential increase in the cost of providing them.

Annual bonus

The annual bonuses will be subject to the caps and determined based on assessment against the performance measures outlined in the Remuneration Policy table on page 62. Because of commercial sensitivity, the details of the performance targets and achievement against those will be outlined in the 2016 Annual Report on Remuneration.

Performance awards

The LTIP awards will be subject to the caps and determined in line with the objectives outlined in the Remuneration Policy table. The performance measures will be in line with those outlined in the Remuneration Policy table. The details of the achievement against performance targets will be outlined in the 2016 Annual Report on Remuneration.

Pension

The EDs will continue to receive a cash allowance in lieu of a pension equivalent to 22.5% of base salary. Given the small salary increases outlined above for financial year 2016, the absolute values will increase slightly.

This report was approved by the board of directors on 22 September 2015 and signed on its behalf by:

Bridget Macaskill

Chairman of the Remuneration Committee





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Independent Auditor's Report to the Members of Close Brothers Group plc

Opinion on Financial Statements of Close Brothers Group plc

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 July 2015 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the International Accounting Standards ("IAS") Regulation.

The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Balance Sheet and the related notes 1 to 31. The financial reporting framework that has been applied in the preparation of the group financial

statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within Corporate Governance that the group is a going concern. We confirm that:

- We have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern; and
- We have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk

How the scope of our audit responded to the risk

Loan impairment provisions

As detailed in note 2, Critical accounting estimates and judgements on page 94, loan impairment provisions in the Banking division reflect estimates of the amount and timing of future recoveries which require an assessment of matters such as future economic conditions and the value of collateral. Loan impairment provisions of £56.1 million represented approximately 1% of loans and advances to customers. The income statement charge for the year was £41.9 million.

Our procedures included understanding and testing the controls in respect of the group's loan impairment process, such as the timely recognition of impairment provisions, the completeness and accuracy of reports used in the loan impairment process and management review process over the calculation of collective and specific provisions. We tested the inputs used in collective impairment models and considered whether those inputs reflected default and recovery experience across each of the Banking division's portfolios appropriately adjusted to reflect current experience and economic conditions where relevant. We audited a sample of specific provisions against individually significant impaired loans including challenging collateral values and discount rates assumed in the provisions and, where relevant, with the assistance of our property valuation specialists.

Revenue recognition

Interest income and fee commission income is detailed in note 2, critical accounting estimates and judgements on page 94. The group's revenue recognition policy is detailed in note 1, significant accounting policies on page 90.

• Interest income

Interest income on loans and advances made by the group is recognised using the effective interest rate method and any fees and direct transaction costs that form an integral part of the yield are included in the effective interest rate. The identification of fees and direct costs to be included in the effective interest rate can be judgemental. The group's net interest income was £399.3 million.

We audited the effective interest rate models by testing controls, challenging the assumptions used to estimate the effective interest rates used in determining interest income and reperforming a sample of effective interest rate calculations. This included using our computer audit specialists to test the extraction of data used in the calculations. We audited a sample of lending arrangements by agreeing them to loan agreements and cash receipts and we assessed whether the appropriate fees and costs had been reflected in the effective interest rate.

Risk	How the scope of our audit responded to the risk
<p>Revenue recognition continued</p> <ul style="list-style-type: none"> • Fee and commission income Fee and commission income primarily arises in the Banking and Asset Management divisions. The group's fee and commission income was £192.9 million. The timing of recognition of fees can be judgemental. Fees may be recognised immediately or over a period depending on the nature of the service provided and determining accrued fees can involve the use of estimates. • Gains less losses arising from dealing in securities Gains less losses arising from dealing in securities comprise realised and unrealised gains on securities which are recorded at fair value. Given the high volume nature of transactions in the Securities division, robust internal controls over trade recording, settlement, reconciliation and valuation are important to ensure the completeness and accuracy of revenues. Gains and losses arising from dealing in securities were £72.0 million. 	<p>We obtained a sample of Asset Management client agreements and checked that accrued fees had been calculated in accordance with the agreements, recognised appropriately and challenged related estimates.</p> <p>We tested controls over revenue recognition in the Banking division. We audited a sample of lending fees receivable by agreeing them to loan agreements and cash receipts; and we assessed the accounting treatment and timing of recognition of the fee.</p> <p>We tested the operating effectiveness of controls related to trade recording, settlement, reconciliation and valuation including related IT system controls.</p> <p>We agreed positions in securities at the year end to central securities depositaries. We tested securities valuations using independently sourced market prices and we recalculated a sample of both realised and unrealised gains less losses from dealing in securities. Particular focus was given to gains and losses recorded around the year end to ensure they were recognised in the correct period.</p>
<p>Goodwill impairment As detailed in note 2, critical accounting estimates and judgements on page 94, the directors assess the carrying value of goodwill for impairment on an annual basis and when there are indicators of impairment. The carrying value of goodwill was £84.2 million.</p> <p>Determining whether goodwill is impaired requires estimation of the recoverable amount of the group's cash generating units ("CGUs"). The recoverable amount is determined using forecast future cash flows and growth rates discounted at a rate appropriate to the relevant business and hence involve a number of assumptions and estimates.</p>	<p>We challenged management's assumptions used in the impairment model for goodwill. This included challenging cash flow forecasts and considering the accuracy of past cash flow projections, and using our internal valuations specialists to independently derive discount rates, which we compared to those used by management. We also benchmarked discount and growth rates to available external peer group data.</p> <p>We performed sensitivity analysis and considered the impact of changes to each of the key assumptions used in management's impairment model.</p>
<p>Management's consideration of these risks is set out in note 2, Critical accounting estimates and judgements, on page 94. The Audit Committee's consideration of these risks is set out on page 54.</p> <p>Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.</p>	<p>Operating profit before tax was used as the basis for determining materiality as we believe is the key metric used by members of the company in assessing financial performance.</p> <p>We agreed with the Audit Committee that we would report all audit differences in excess of £200,000 (2014: £200,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.</p>
<p>Our application of materiality We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.</p> <p>We determined materiality for the group financial statements as a whole to be £11.0 million (2014: £9.5 million) based on 5% of operating profit before tax (2014: 5% of operating profit before tax). Materiality has increased in line with increases in the group's profits.</p>	<p>An overview of the scope of our audit Our group audit scope focused on the three operating divisions of the group, all of which comprise subsidiaries which are subject to full scope audits for the year ended 31 July 2015. Our audits of each subsidiary were planned using levels of materiality appropriate for each subsidiary on a standalone basis, up to a maximum of £8.3 million (2014: £7.5 million). Together with the group's central functions, which were also subject to a full scope audit, our audit scope covered the entire group.</p> <p>The group audit team worked closely with the divisional and subsidiary audit teams throughout the audit and the senior statutory auditor met with divisional senior management during the year.</p>

Independent Auditor's Report to the Members of Close Brothers Group plc continued

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the Report of the Board on Directors' Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Report of the Board on Directors' Remuneration to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from our review.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- Otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Robert Topley (Senior statutory auditor)

For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

22 September 2015

Consolidated Income Statement

for the year ended 31 July 2015

	Note	2015 £ million	2014 ¹ £ million
Interest income	4	528.8	491.2
Interest expense	4	(132.3)	(139.1)
Net interest income		396.5	352.1
Fee and commission income	4	195.7	177.9
Fee and commission expense	4	(30.2)	(27.4)
Gains less losses arising from dealing in securities		72.0	87.3
Other income		55.5	38.0
Non-interest income		293.0	275.8
Operating income		689.5	627.9
Administrative expenses	4	(422.7)	(390.1)
Impairment losses on loans and advances	11	(41.9)	(44.1)
Total operating expenses before amortisation of intangible assets on acquisition		(464.6)	(434.2)
Operating profit before amortisation of intangible assets on acquisition		224.9	193.7
Amortisation of intangible assets on acquisition	15	(5.0)	(4.9)
Operating profit before tax		219.9	188.8
Tax	6	(45.4)	(43.2)
Profit after tax from continuing operations		174.5	145.6
Profit from discontinued operations, net of tax	7	11.2	4.6
Profit after tax		185.7	150.2
Profit attributable to non-controlling interests from continuing operations		–	0.4
Profit attributable to shareholders		185.7	149.8
From continuing operations			
Basic earnings per share	8	117.8p	98.4p
Diluted earnings per share	8	116.5p	96.9p
From continuing and discontinued operations			
Basic earnings per share	8	125.4p	101.5p
Diluted earnings per share	8	124.0p	100.0p
Interim dividend per share paid	9	18.0p	16.5p
Final dividend per share	9	35.5p	32.5p

1 Restated – see note 7.

Consolidated Statement of Comprehensive Income

for the year ended 31 July 2015

	2015 £ million	2014 ¹ £ million
Profit after tax	185.7	150.2
Other comprehensive (expense)/income that may be reclassified to income statement from continuing operations		
Currency translation losses	(3.0)	(1.7)
(Losses)/gains on cash flow hedging	(5.5)	4.7
(Losses)/gains on equity shares classified as available for sale	(0.5)	0.4
Available for sale investment gains transferred to income statement on disposal	(6.8)	–
Tax relating to items that may be reclassified	2.5	(0.8)
	(13.3)	2.6
Other comprehensive (expense)/income that will not be reclassified to income statement from continuing operations		
Defined benefit pension scheme losses	(2.0)	(1.6)
Tax relating to items that will not be reclassified	0.4	0.3
	(1.6)	(1.3)
Other comprehensive (expense)/income, net of tax from continuing operations	(14.9)	1.3
Other comprehensive expense, net of tax from discontinued operations	(1.2)	(2.5)
Total comprehensive income	169.6	149.0
Attributable to		
Non-controlling interests	–	0.4
Shareholders	169.6	148.6
	169.6	149.0

¹ Restated – see note 7.

Consolidated Balance Sheet

at 31 July 2015

	Note	2015 £ million	2014 £ million
Assets			
Cash and balances at central banks		1,038.0	1,171.8
Settlement balances		398.3	465.8
Loans and advances to banks	10	84.6	87.4
Loans and advances to customers	11	5,737.8	5,289.7
Debt securities	12	149.5	94.2
Equity shares	13	41.2	76.1
Loans to money brokers against stock advanced		38.4	63.9
Derivative financial instruments	14	19.7	27.8
Intangible assets	15	144.2	146.3
Property, plant and equipment	16	148.4	117.0
Deferred tax assets	6	39.4	31.7
Prepayments, accrued income and other assets	17	117.8	128.7
Total assets		7,957.3	7,700.4
Liabilities			
Settlement balances and short positions	18	404.3	494.0
Deposits by banks	19	35.1	49.6
Deposits by customers	19	4,481.4	4,513.7
Loans and overdrafts from banks	19	381.2	9.4
Debt securities in issue	19	1,365.0	1,354.4
Loans from money brokers against stock advanced		–	28.4
Derivative financial instruments	14	7.1	19.5
Current tax liabilities		17.9	24.1
Accruals, deferred income and other liabilities	17	209.0	212.5
Subordinated loan capital	20	46.4	77.2
Total liabilities		6,947.4	6,782.8
Equity			
Called up share capital	21	37.7	37.7
Share premium account		284.0	283.8
Retained earnings		694.4	589.8
Other reserves		(6.3)	5.2
Total shareholders' equity		1,009.8	916.5
Non-controlling interests		0.1	1.1
Total equity		1,009.9	917.6
Total liabilities and equity		7,957.3	7,700.4

Approved and authorised for issue by the Board of Directors on 22 September 2015 and signed on its behalf by:

P.S.S. Macpherson
Chairman

P. Prebensen
Chief Executive

Consolidated Statement of Changes in Equity

for the year ended 31 July 2015

	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Other reserves				Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
				Available for sale movements reserve £ million	Share-based payments reserve £ million	Exchange movements reserve £ million	Cash flow hedging reserve £ million			
At 1 August 2013	37.7	283.7	511.9	9.1	(13.1)	5.2	(1.7)	832.8	3.7	836.5
Profit for the year	–	–	149.8	–	–	–	–	149.8	0.4	150.2
Other comprehensive (expense)/income	–	–	(1.3)	0.5	–	(4.2)	3.8	(1.2)	–	(1.2)
Total comprehensive income/(expense) for the year	–	–	148.5	0.5	–	(4.2)	3.8	148.6	0.4	149.0
Exercise of options	–	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	(67.1)	–	–	–	–	(67.1)	(0.2)	(67.3)
Shares purchased	–	–	–	–	(7.8)	–	–	(7.8)	–	(7.8)
Shares issued	–	0.1	–	–	–	–	–	0.1	–	0.1
Shares released	–	–	–	–	13.7	–	–	13.7	–	13.7
Other movements	–	–	(5.7)	–	(0.3)	–	–	(6.0)	(2.8)	(8.8)
Income tax	–	–	2.2	–	–	–	–	2.2	–	2.2
At 31 July 2014	37.7	283.8	589.8	9.6	(7.5)	1.0	2.1	916.5	1.1	917.6
Profit for the year	–	–	185.7	–	–	–	–	185.7	–	185.7
Other comprehensive (expense)/income	–	–	(1.6)	(6.3)	–	(3.8)	(4.4)	(16.1)	–	(16.1)
Total comprehensive income/(expense) for the year	–	–	184.1	(6.3)	–	(3.8)	(4.4)	169.6	–	169.6
Exercise of options	–	0.1	–	–	–	–	–	0.1	–	0.1
Dividends paid	–	–	(74.3)	–	–	–	–	(74.3)	(0.1)	(74.4)
Shares purchased	–	–	–	–	(18.2)	–	–	(18.2)	–	(18.2)
Shares issued	–	0.1	–	–	–	–	–	0.1	–	0.1
Shares released	–	–	–	–	20.5	–	–	20.5	–	20.5
Other movements	–	–	(8.3)	–	0.7	–	–	(7.6)	(0.9)	(8.5)
Income tax	–	–	3.1	–	–	–	–	3.1	–	3.1
At 31 July 2015	37.7	284.0	694.4	3.3	(4.5)	(2.8)	(2.3)	1,009.8	0.1	1,009.9

Consolidated Cash Flow Statement

for the year ended 31 July 2015

	Note	2015 £ million	2014 ¹ £ million
Net cash (outflow)/inflow from operating activities	28(a)	(18.0)	339.6
Net cash (outflow)/inflow from investing activities			
Purchase of:			
Property, plant and equipment		(14.8)	(5.9)
Intangible assets – software		(19.1)	(19.9)
Equity shares held for investment		–	(0.1)
Non-controlling interests	28(b)	(1.0)	(7.5)
Sale of:			
Property, plant and equipment		0.1	–
Equity shares held for investment		5.6	8.7
Subsidiary	28(c)	23.2	–
		(6.0)	(24.7)
Net cash (outflow)/inflow before financing activities		(24.0)	314.9
Financing activities			
Issue of ordinary share capital, net of transaction costs	28(d)	0.1	0.1
Purchase of own shares for employee share award schemes		(18.2)	(7.8)
Equity dividends paid		(74.2)	(67.1)
Dividends paid to non-controlling interests		(0.1)	(0.2)
Interest paid on subordinated loan capital and debt financing		(18.6)	(18.6)
Net (decrease)/increase in cash		(135.0)	221.3
Cash and cash equivalents at beginning of year		1,238.7	1,017.4
Cash and cash equivalents at end of year	28(e)	1,103.7	1,238.7

1 Restated – see note 7.

Company Balance Sheet

at 31 July 2015

	Note	2015 £ million	2014 £ million
Fixed assets			
Intangible assets	15	0.1	0.1
Property, plant and equipment	16	0.5	1.1
Investments in subsidiaries	31	287.0	287.0
Interest free loan to subsidiary		192.7	192.7
		480.3	480.9
Current assets			
Cash at bank		0.3	0.3
Amounts owed by subsidiaries		358.7	352.8
Other investments		2.2	3.5
Corporation tax receivable		5.1	5.8
Deferred tax assets	6	3.3	3.2
Other debtors		5.0	6.5
		374.6	372.1
Creditors: Amounts falling due within one year			
Accruals and deferred income		8.4	8.3
Provisions	17	9.7	10.8
Other creditors		1.1	1.0
		19.2	20.1
Net current assets		355.4	352.0
Total assets less current liabilities		835.7	832.9
Creditors: Amounts falling due after more than one year:			
Debt securities in issue		205.6	205.2
Net assets		630.1	627.7
Capital and reserves			
Share capital	21	37.7	37.7
Share premium account		284.0	283.8
Profit and loss account	22	309.8	313.3
Other reserves	22	(1.4)	(7.1)
Shareholders' funds		630.1	627.7

Approved and authorised for issue by the Board of Directors on 22 September 2015 and signed on its behalf by:

P.S.S. Macpherson
Chairman

P. Prebensen
Chief Executive

The Notes

1. Significant accounting policies

(a) Reporting entity

Close Brothers Group plc (“the company”), a public limited company incorporated and domiciled in the UK, together with its subsidiaries (collectively, “the group”), operates through three divisions: Banking, Securities and Asset Management, and is primarily located within the UK.

The company financial statements (“the company accounts”) have been prepared and approved by the directors in accordance with Section 395 of the Companies Act 2006, the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 and with applicable UK Generally Accepted Accounting Practice. The company has taken advantage of the exemption in Section 408 of the Companies Act 2006 not to present its company income statement and related notes.

(b) Compliance with International Financial Reporting Standards

The consolidated financial statements (“the consolidated accounts”) have been prepared and approved by the directors in accordance with all relevant IFRSs as issued by the International Accounting Standards Board, and interpretations issued by the IFRS Interpretations Committee, endorsed by the EU.

Standards and amendments adopted during year

In the current year, the group adopted the following standards, amendments, and interpretations:

- IFRS 10 “Consolidated financial statements”.
- IFRS 11 “Joint arrangements”.
- IFRS 12 “Disclosure of interests in other entities”.
- IAS 27 “Separate financial statements”.
- IAS 28 “Investments in associates”.
- IAS 32 “Presentation: Offsetting financial assets and financial liabilities”.
- IFRIC 21 “Levies”.
- IFRS Annual Improvements 2010 to 2012 and 2011 to 2013.

The adoption of these standards, amendments and interpretations did not have a material impact on the financial statements.

Standards issued with effective dates, subject to EU endorsement, which do not impact on these financial statements:

- IFRS 15 “Revenue from contracts with customers” – Effective for annual periods beginning on or after 1 January 2017.
- IFRS 9 “Financial instruments” – Effective for annual periods beginning on or after 1 January 2018.

The impact of these standards on the financial statements is being assessed by the group.

(c) Basis of preparation

The consolidated and company accounts have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities held at fair value through profit or loss, available for sale financial assets and all derivative financial instruments (“derivatives”).

The financial statements are prepared on a going concern basis as disclosed in the Report of the Directors.

(d) Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Such power, generally accompanies a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the group effectively obtains control. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Under the acquisition method of accounting, with some limited exceptions, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any non-controlling interest is measured either at fair value or at the non-controlling interest’s proportion of the net assets acquired. Acquisition related costs are accounted for as expenses when incurred, unless directly related to the issue of debt or equity securities. Any excess of the cost of acquisition over net assets is capitalised as goodwill. All intra group balances, transactions, income and expenses are eliminated.

(e) Discontinued operations

The results of discontinued operations are shown as a single amount on the face of the consolidated income statement comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a CGU or a group of CGUs that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

(f) Foreign currency translation

For the company and those subsidiaries whose balance sheets are denominated in sterling which is the company’s functional and presentation currency, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange over the year and exchange differences arising are taken to the consolidated income statement.

The balance sheets of subsidiaries denominated in foreign currencies are translated into sterling at the closing rates. The income statements for these subsidiaries are translated at the average rates and exchange differences arising are taken to equity. Such exchange differences are reclassified to the consolidated income statement in the period in which the subsidiary is disposed of.

The Notes continued

1. Significant accounting policies continued

(g) Revenue recognition

Interest income

Interest on loans and advances made by the group, and fee income and expense and other direct costs relating to loan origination, restructuring or commitments are recognised in the consolidated income statement using the effective interest rate method.

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses.

Fees and commissions

Where fees that have not been included within the effective interest rate method are earned on the execution of a significant act, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed. Fees and corresponding expenses in respect of other services are recognised in the consolidated income statement as the right to consideration or payment accrues through performance of services. In particular, upfront commissions paid in respect of managing, as opposed to originating, fund products are initially included within "accruals and deferred income" and then recognised as revenue as the services are provided. To the extent that fees and commissions are recognised in advance of billing they are included as accrued income or expense.

Dividends

Dividend income is recognised when the right to receive payment is established.

Gains less losses arising from dealing in securities

Net gains arising from both buying and selling securities and from positions held in securities, including related interest income and dividends.

(h) Exceptional items

Items of income and expense that are material by size and/or nature and are non-recurring are classified as exceptional items on the face of the consolidated income statement. The separate reporting of these items helps give an indication of the group's underlying performance.

(i) Financial assets and liabilities (excluding derivatives)

Classification

The group classifies its financial assets into the following measurement categories: (i) financial assets held at fair value through profit or loss; (ii) loans and receivables; and (iii) available for sale. Financial liabilities are classified as either held at fair value through profit or loss, or at amortised cost using the effective interest method.

Management determines the classification of its financial assets and liabilities at initial recognition.

Financial assets and liabilities held at fair value through profit or loss

This category has two sub-categories: Financial assets and liabilities held for trading, and those designated at fair value through profit or loss at inception.

A financial asset or liability is classified as trading if acquired principally for the purpose of selling in the short term, which for the group relates to Winterflood.

Financial assets and liabilities may be designated at fair value through profit or loss when:

- The designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis;
- A group of financial assets and/or liabilities is managed and its performance evaluated on a fair value basis; or
- The assets or liabilities include embedded derivatives and such derivatives are required to be recognised separately.

Financial assets and liabilities held at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value taken directly to the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Loans and receivables are subsequently carried at amortised cost using the effective interest method and recorded net of provisions for impairment losses.

Available for sale

Available for sale assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity requirements or changes in interest rates, exchange rates or equity prices. Available for sale financial assets are subsequently carried at fair value, with gains and losses arising from changes in fair value taken to a separate component of equity until the asset is sold, or is impaired, when the cumulative gain or loss is transferred to the consolidated income statement.

The fair values of quoted financial assets or financial liabilities in active markets are based on current prices. If the market for a financial asset or financial liability is not active, or they relate to unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the group has retained control, the assets continue to be recognised to the extent of the group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

(j) Impairment of financial assets

The group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets classified as available for sale or loans and receivables is impaired. A financial asset or group of financial assets is impaired and an impairment loss incurred if there is objective evidence that an event or events since initial recognition of the asset have adversely affected the amount or timing of future cash flows from the asset.

Financial assets at amortised cost

If there is objective evidence that an impairment loss on a financial asset or group of financial assets classified as loans and receivables has been incurred, the group measures the amount of the loss as the difference between the carrying amount of the asset or group of assets and the present value of estimated future cash flows from the asset or group of assets discounted at the effective interest rate of the instrument at initial recognition.

Impairment losses are assessed individually for financial assets that are individually significant and individually or collectively for assets that are not individually significant. In making collective assessment of impairment, financial assets are grouped into portfolios on the basis of similar risk characteristics.

For loans and receivables, the amount of the loss is measured as the difference between the loan's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the original effective interest rate. As the loan amortises over its life, the impairment loss may amortise. All impairment losses are reviewed at least at each reporting date. If subsequently the amount of the loss decreases as a result of a new event, the relevant element of the outstanding impairment loss is reversed. Interest on impaired financial assets is recognised at the original effective interest rate applied to the carrying amount as reduced by an allowance for impairment.

For loans that are not considered individually significant, the group adopts a formulaic approach which allocates a loss rate dependent on the overdue period. Loss rates are based on the discounted expected future cash flows and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Financial assets carried at fair value

When a decline in the fair value of a financial asset classified as available for sale has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss is removed from equity and recognised in the consolidated income statement. The loss is measured as the difference between the amortised cost of the financial asset and its current fair value. Impairment losses on available for sale equity instruments are not reversed through the consolidated income statement, but those on available for sale debt instruments are reversed, if there is an increase in fair value that is objectively related to a subsequent event.

(k) Settlement accounts

Settlement balance debtors and creditors are the amounts due to and from counterparties in respect of the group's market-making activities, and are carried at amortised cost. The balances are short term in nature, do not earn interest and are recorded at the amount receivable or payable.

(l) Loans to and from money brokers against stock advanced

Loans to money brokers against stock advanced is the cash collateral provided to these institutions for stock borrowing by the group's market-making activities, and is carried at amortised cost. Interest is paid on the stock borrowed and earned on the cash deposits advanced. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount receivable. Loans from money brokers against stock collateral provided is recorded at the amount payable. Interest is paid on the loans payable.

(m) Finance leases, operating leases and hire purchase contracts

A finance lease is a lease or hire purchase contract that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Finance leases are recognised as loans at an amount equal to the gross investment in the lease discounted at its implicit interest rate. Finance charges on finance leases are taken to income in proportion to the net funds invested.

Rental costs under operating leases and hire purchase contracts are charged to the consolidated income statement in equal instalments over the period of the leases. Rental income from operating leases is recognised in equal instalments over the period of the leases and included in other income in the consolidated income statement.

(n) Sale and repurchase agreements and other secured lending and borrowings

Securities may be sold subject to a commitment to repurchase them. Such securities are retained on the consolidated balance sheet when substantially all the risks and rewards of ownership remain with the group. The transactions are treated as collateralised borrowing and the counterparty liability is included within loans and overdrafts from banks. Similar secured borrowing transactions including securities lending transactions and collateralised short-term notes are treated and presented in the same way. These secured financing transactions are initially recognised at fair value, and subsequently valued at amortised cost, using the effective interest rate method.

(o) Securitisation transactions

Where the group securitises its own financial assets, this is achieved via the sale of these assets to special purpose entities, which in turn issues securities to investors. All financial assets continue to be held on the group's consolidated balance sheet and debt securities in issue are recognised for the proceeds of the funding transaction.

(p) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented on the consolidated balance sheet if, and only if, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

The Notes continued

1. Significant accounting policies continued

(q) Derivatives and hedge accounting

In general, derivatives are used to minimise the impact of interest, currency rate and equity price changes to the group's financial instruments. They are carried on the consolidated balance sheet at fair value which is obtained from quoted market prices in active markets, including recent market transactions and discounted cash flow models.

On acquisition, certain derivatives are designated as a hedge and the group formally documents the relationship between these derivatives and the hedged item. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in fair values or cash flows of hedged items. If a hedge was deemed partially ineffective but continues to qualify for hedge accounting, the amount of the ineffectiveness, taking into account the timing of the expected cash flows where relevant, would be recorded in the consolidated income statement. If the hedge is not, or has ceased to be, highly effective the group discontinues hedge accounting.

For fair value hedges, changes in the fair value are recognised in the consolidated income statement, together with changes in the fair value of the hedged item. For cash flow hedges, the fair value gain or loss associated with the effective proportion of the cash flow hedge is recognised initially directly in equity and recycled to the consolidated income statement in the period when the hedged item affects income.

Some contracts ("hybrid contracts") contain both a derivative ("embedded derivative") and a non-derivative ("host contract"). Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and reported at fair value and gains and losses are recognised in the consolidated income statement.

(r) Intangible assets

Computer software (acquired and costs associated with development) and intangible assets on acquisition (excluding goodwill) are stated at cost less accumulated amortisation and provisions for impairment. Amortisation is calculated to write off their cost on a straight-line basis over the estimated useful lives as follows:

Computer software	3 to 5 years
Intangible assets on acquisition	8 to 20 years

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is assessed annually for impairment and carried at cost less any accumulated impairment.

(s) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment. Depreciation is calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

Long leasehold property	40 years
Short leasehold property	Over the length of the lease
Fixtures, fittings and equipment	3 to 5 years
Assets held under operating leases	1 to 15 years
Motor vehicles	5 years

(t) Share capital

Share issue costs

Incremental costs directly attributable to the issue of new shares or options including those issued on the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by shareholders.

Treasury shares

Where the company or any member of the group purchases the company's share capital, the consideration paid is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

(u) Employee benefits

The group operates defined contribution pension schemes for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual.

Under the defined contribution scheme the group pays fixed contributions into a fund separate from the group's assets. Contributions are charged in the consolidated income statement when they become payable.

The expected cost of providing pensions within the funded defined benefit scheme, determined on the basis of annual valuations using the projected unit method, is charged to the consolidated income statement. Actuarial gains and losses are recognised in full in the period in which they occur and recognised in other comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets at the balance sheet date. Both the return on investment expected in the period and the expected financing cost of the liability, as estimated at the beginning of the period are recognised in the results for the period. Any variances against these estimates in the year form part of the actuarial gain or loss.

The assets of the scheme are held separately from those of the group in an independently managed fund.

(v) Share-based payments to employees

The group operates five share-based award schemes, an annual bonus plan and four long-term incentive schemes ("Incentive Schemes"); the Share Matching Plan ("SMP"), the 2009 Long Term Incentive Plan ("LTIP"), the 1995 Executive Share Option Scheme and the Inland Revenue approved Save As You Earn scheme.

The costs of the awards granted under the annual bonus plan are based on the salary of the individual at the time the award is made. The value of the share award at the grant date is charged to the group's consolidated income statement in the year to which the award relates.

The cost of the Incentive Schemes is based on the fair value of awards on the date of grant. Fair values for market based performance conditions are determined using a stochastic (Monte Carlo simulation) pricing model for the SMP and LTIP and the Black-Scholes pricing model for the other schemes. Both models take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the company's share price over the life of the option award and other relevant factors. For non-market based performance conditions, vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of shares in each award such that the amount recognised reflects the number that are expected to, and then actually do, vest. The fair value is expensed in the consolidated income statement on a straight line basis over the vesting period, with a corresponding credit to the share-based payments reserve. At the end of the vesting period, or upon exercise, lapse or forfeit if earlier, this credit is transferred to retained earnings. Further information on the group's schemes is provided in note 27 and in the Report of the Board on Directors' Remuneration.

(w) Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are remote.

(x) Taxes, including deferred taxes

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set. All deferred tax liabilities are offset against deferred tax assets in accordance with the provisions of IAS 12 "Income taxes".

(y) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash.

(z) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee which is considered the group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

The Notes continued

2. Critical accounting estimates and judgements

The reported results of the group are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of its financial statements. UK company law and IFRS require the directors, in preparing the group's financial statements, to select suitable accounting policies, apply them consistently and make judgements and estimates that are reasonable and prudent. The group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. The actual outcome may be materially different from that anticipated. The judgements and assumptions involved in the group's accounting policies that are considered by the board to be the most important to the portrayal of its financial condition are as follows:

(a) Loan impairment provisions

Allowances for loan impairment represent management's estimate of the losses incurred in the loan portfolios at the balance sheet date. Changes to the allowances for loan impairment are reported in the consolidated income statement as impairment losses on loans and advances. Impairment provisions are made if there is objective evidence of impairment as a result of one or more subsequent events regarding a significant loan or a portfolio of loans.

Individual impairment losses are determined as the difference between the carrying value and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are calculated using a formulaic approach which allocates a loss rate dependent on the overdue period. Loss rates are based on the discounted expected future cash flows and are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Estimating the amount and timing of future recoveries involves significant judgement, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral. All impairment losses are reviewed at least annually.

(b) Revenue

Interest income

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts relating to a financial instrument to its net carrying amount. The estimated future cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Models are reviewed at least annually to assess expected lives of groups of assets based upon actual repayment profiles.

Fee and commission income

Fee and commission income is recognised depending on the nature of service provided:

- Income which forms an integral part of the effective interest rate is recognised as an adjustment to the effective interest rate and recorded in interest income;
- Income earned from provision of services is recognised as the services are provided; and
- Income earned on the execution of a significant act is recognised when the act is completed.

(c) Goodwill impairment

The directors review goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. The recoverable amounts of relevant CGUs are based on value in use calculations using management's best estimate of future cash flows and performance, discounted at a rate which the directors estimate to be the return appropriate to the business.

3. Segmental analysis

The Executive Committee, which is considered to be the group's chief operating decision maker, manages the group by class of business as determined by the products and services offered and presents the segmental analysis on that basis. The group's activities are organised in three primary operating divisions: Banking, Securities and Asset Management. A description of the activities, including products and services offered by these divisions, is given in the Strategic Report. The Group segment includes the group's central functions which comprise Group Executive, Finance, Marketing, Communications, Investor Relations, Legal, Human Resources, Audit, Compliance, Corporate Development, Company Secretariat and Risk. Group administrative expenses include staff costs, legal and professional fees and property costs attributable to the central functions which support and assist the development

of the divisions. Income within Group is typically immaterial and will include interest on cash balances at Group. In the segmental reporting information which follows, Group consists of the central functions described above as well as various non-trading head office companies and consolidation adjustments, in order that the information presented reconciles to the consolidated income statement and balance sheet.

Divisions charge market prices for services rendered to other parts of the group. Funding charges between Banking businesses are determined by the Banking division's Treasury operation taking into account commercial demands. Funding arrangements between other segments is limited. More than 90% of all the group's activities, revenue and assets are located in the UK.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Summary Income Statement for the year ended 31 July 2015							
Net interest income/(expense)	396.5	(0.9)	0.2	0.7	396.5	–	396.5
Non-interest income	102.1	95.5	95.4	–	293.0	11.7	304.7
Operating income	498.6	94.6	95.6	0.7	689.5	11.7	701.2
Administrative expenses	(214.6)	(69.0)	(76.4)	(26.3)	(386.3)	(10.4)	(396.7)
Depreciation and amortisation	(33.4)	(1.0)	(1.4)	(0.6)	(36.4)	–	(36.4)
Impairment losses on loans and advances	(41.9)	–	–	–	(41.9)	–	(41.9)
Total operating expenses	(289.9)	(70.0)	(77.8)	(26.9)	(464.6)	(10.4)	(475.0)
Adjusted operating profit/(loss)¹	208.7	24.6	17.8	(26.2)	224.9	1.3	226.2
Amortisation of intangible assets on acquisition	(0.5)	–	(4.5)	–	(5.0)	–	(5.0)
Profit on disposal of discontinued operations	–	–	–	–	–	10.3	10.3
Operating profit/(loss) before tax	208.2	24.6	13.3	(26.2)	219.9	11.6	231.5
Tax	(43.3)	(4.7)	(2.6)	5.2	(45.4)	(0.4)	(45.8)
Non-controlling interests	–	–	–	–	–	–	–
Profit/(loss) after tax and non-controlling interests	164.9	19.9	10.7	(21.0)	174.5	11.2	185.7
External operating income/(expense)	511.8	94.6	96.5	(13.4)	689.5	11.7	701.2
Inter segment operating (expense)/income	(13.2)	–	(0.9)	14.1	–	–	–
Segment operating income	498.6	94.6	95.6	0.7	689.5	11.7	701.2

¹ Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

The Notes continued

3. Segmental analysis continued

The following table provides further detail on operating income:

	2015 £ million	2014 £ million
Banking		
Retail	181.1	164.6
Commercial	207.3	187.3
Property	96.8	75.4
Treasury income	13.4	19.4
Securities		
Market-making and related activities	94.6	96.1
Asset Management		
Advice and other services	36.1	36.6
Investment management	54.1	47.2
Other income	5.4	0.6
Group	0.7	0.7
Operating income from continuing operations	689.5	627.9
Operating income from discontinued operations	11.7	31.3
Operating income	701.2	659.2

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 July 2015					
Assets					
Cash and loans and advances to banks	1,080.8	20.6	20.9	0.3	1,122.6
Settlement balances, long trading positions and loans to money brokers	–	481.9	–	–	481.9
Loans and advances to customers	5,737.8	–	–	–	5,737.8
Non-trading debt securities	135.4	–	–	–	135.4
Intangible assets	65.7	25.5	52.9	0.1	144.2
Other assets	283.4	10.7	27.3	14.0	335.4
Total assets	7,303.1	538.7	101.1	14.4	7,957.3
Liabilities					
Settlement balances, short trading positions and loans from money brokers	–	404.3	–	–	404.3
Deposits by banks	35.1	–	–	–	35.1
Deposits by customers	4,481.4	–	–	–	4,481.4
Borrowings	1,583.7	3.3	–	205.6	1,792.6
Other liabilities	140.8	35.5	41.9	15.8	234.0
Intercompany balances	351.0	23.7	11.6	(386.3)	–
Total liabilities	6,592.0	466.8	53.5	(164.9)	6,947.4
Equity	711.1	71.9	47.6	179.3	1,009.9
Total liabilities and equity	7,303.1	538.7	101.1	14.4	7,957.3
Other segmental information for the year ended 31 July 2015					
Property, plant, equipment and intangible asset expenditure	74.7	3.5	2.6	0.1	80.9
Employees (average number)	1,910	232	562	63	2,767

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Summary Income Statement for the year ended 31 July 2014							
Net interest income/(expense)	352.9	(1.2)	(0.3)	0.7	352.1	–	352.1
Non-interest income	93.8	97.3	84.7	–	275.8	31.3	307.1
Operating income	446.7	96.1	84.4	0.7	627.9	31.3	659.2
Administrative expenses	(194.7)	(68.6)	(73.1)	(24.4)	(360.8)	(23.9)	(384.7)
Depreciation and amortisation	(26.3)	(0.9)	(1.4)	(0.7)	(29.3)	(0.5)	(29.8)
Impairment losses on loans and advances	(44.1)	–	–	–	(44.1)	–	(44.1)
Total operating expenses	(265.1)	(69.5)	(74.5)	(25.1)	(434.2)	(24.4)	(458.6)
Adjusted operating profit/(loss)¹	181.6	26.6	9.9	(24.4)	193.7	6.9	200.6
Amortisation of intangible assets on acquisition	(0.5)	–	(4.4)	–	(4.9)	–	(4.9)
Profit on disposal of discontinued operations	–	–	–	–	–	–	–
Operating profit/(loss) before tax	181.1	26.6	5.5	(24.4)	188.8	6.9	195.7
Tax	(42.0)	(5.5)	(0.9)	5.2	(43.2)	(2.3)	(45.5)
Non-controlling interests	(0.3)	–	–	(0.1)	(0.4)	–	(0.4)
Profit/(loss) after tax and non-controlling interests	138.8	21.1	4.6	(19.3)	145.2	4.6	149.8
External operating income/(expense)	459.5	96.1	85.5	(13.2)	627.9	31.3	659.2
Inter segment operating (expense)/income	(12.8)	–	(1.1)	13.9	–	–	–
Segment operating income	446.7	96.1	84.4	0.7	627.9	31.3	659.2

1 Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

The Notes continued

3. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 July 2014					
Assets					
Cash and loans and advances to banks	1,225.1	16.2	17.5	0.4	1,259.2
Settlement balances, long trading positions and loans to money brokers	–	634.8	–	–	634.8
Loans and advances to customers	5,289.7	–	–	–	5,289.7
Non-trading debt securities	45.6	–	–	–	45.6
Intangible assets	61.7	28.1	56.4	0.1	146.3
Other assets	251.6	19.6	34.0	19.6	324.8
Total assets	6,873.7	698.7	107.9	20.1	7,700.4
Liabilities					
Settlement balances, short trading positions and loans from money brokers	–	522.4	–	–	522.4
Deposits by banks	49.6	–	–	–	49.6
Deposits by customers	4,510.3	3.4	–	–	4,513.7
Borrowings	1,229.7	6.0	–	205.3	1,441.0
Other liabilities	145.5	40.8	52.7	17.1	256.1
Intercompany balances	330.6	27.1	18.8	(376.5)	–
Total liabilities	6,265.7	599.7	71.5	(154.1)	6,782.8
Equity	608.0	99.0	36.4	174.2	917.6
Total liabilities and equity	6,873.7	698.7	107.9	20.1	7,700.4
Other segmental information for the year ended 31 July 2014					
Property, plant, equipment and intangible asset expenditure	70.1	0.8	0.3	0.7	71.9
Employees (average number)	1,776	321	567	67	2,731

4. Operating profit before tax

	2015 £ million	2014 ¹ £ million
Interest income		
Cash and balances at central banks	4.9	5.0
Loans and advances to banks	0.5	–
Loans and advances to customers	521.4	484.4
Other interest income	2.0	1.8
	528.8	491.2
Interest expense		
Deposits by banks	0.3	0.4
Deposits by customers	83.5	93.7
Borrowings	39.3	42.9
Other interest expense	9.2	2.1
	132.3	139.1
Net interest income	396.5	352.1

1 Restated – see note 7.

	2015 £ million	2014 ¹ £ million
Fee and commission income		
Banking	83.3	78.1
Asset Management	95.7	90.2
Securities	16.7	9.6
	195.7	177.9
Fee and commission expense	(30.2)	(27.4)
Net fee and commission income	165.5	150.5

1 Restated – see note 7.

Fee income and expense (other than amounts calculated using the effective interest rate method) on financial instruments that are not at fair value through profit or loss were £83.3 million (2014: £78.1 million) and £23.8 million (2014: £20.2 million) respectively.

Fee income and expense arising from trust and other fiduciary activities amounted to £95.7 million (2014: £90.2 million) and £6.0 million (2014: £6.8 million) respectively.

	2015 £ million	2014 ¹ £ million
Administrative expenses		
Staff costs:		
Wages and salaries	201.0	186.7
Social security costs	30.5	29.7
Share-based awards	7.8	7.3
Pension costs	9.1	8.4
	248.4	232.1
Depreciation and amortisation	36.4	29.3
Other administrative expenses	137.9	128.7
	422.7	390.1

1 Restated – see note 7.

The Notes continued

5. Information regarding the auditor

	2015 £ million	2014 ¹ £ million
Fees payable		
Audit of the company's annual accounts	0.2	0.2
Audit of the company's subsidiaries pursuant to legislation	0.9	0.8
Other services pursuant to legislation	0.3	0.3
Tax services	0.2	0.2
Other services	0.1	0.5
	1.7	2.0

¹ Restated – see note 7.

The auditor of the group is Deloitte LLP.

6. Taxation

	2015 £ million	2014 ¹ £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	49.1	48.8
Foreign tax	2.6	1.2
Adjustments in respect of previous years	(0.2)	0.4
	51.5	50.4
Deferred tax:		
Deferred tax credit for the current year	(6.5)	(7.2)
Adjustments in respect of previous years	0.4	–
	45.4	43.2
Tax on items not (credited)/charged to the income statement		
Current tax relating to:		
Share-based transactions tax allowance in excess of expense recognised	(4.1)	(3.0)
Deferred tax relating to:		
Cash flow hedging	(1.1)	0.9
Defined benefit pension scheme	(0.4)	(0.3)
Financial instruments classified as available for sale	(1.0)	(0.1)
Share-based transactions tax allowance in excess of expense recognised	1.0	0.8
Currency translation losses	(0.4)	–
	(6.0)	(1.7)
Reconciliation to tax expense		
UK corporation tax for the year at 20.7% (2014: 22.3%) on operating profit	45.5	42.2
Effect of different tax rates in other jurisdictions	(0.8)	(0.6)
Disallowable items and other permanent differences	0.3	0.6
Deferred tax impact of reduced UK corporation tax rate	0.2	0.6
Prior year tax provision	0.2	0.4
	45.4	43.2

¹ Restated – see note 7.

The effective tax rate for the year is 20.6% (2014: 22.9%) which is in line with the UK corporation tax rate of 20.7% (2014: 22.3%). On 8 July 2015, the Government proposed reductions in the UK corporation tax rate to 19% from April 2017 and 18% from April 2020, and an additional 8% tax surcharge on profits of banking companies from January 2016. These proposals are expected to be enacted later in 2015.

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Available for sale assets £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
Group								
At 1 August 2013	21.2	(1.2)	11.9	(1.8)	0.4	(5.2)	0.5	25.8
Credit/(charge) to the income statement	6.6	(0.1)	(0.2)	–	–	1.0	(0.1)	7.2
Credit/(charge) to other comprehensive income	–	0.3	–	0.1	(0.9)	–	–	(0.5)
Charge to equity	–	–	(0.8)	–	–	–	–	(0.8)
Acquisition	–	–	–	–	–	–	–	–
At 31 July 2014	27.8	(1.0)	10.9	(1.7)	(0.5)	(4.2)	0.4	31.7
Credit/(charge) to the income statement	4.9	–	0.3	–	–	0.9	–	6.1
Credit/(charge) to other comprehensive income	0.4	0.4	–	1.0	1.1	–	–	2.9
Charge to equity	–	–	(1.0)	–	–	–	–	(1.0)
Acquisition	–	–	–	–	–	(0.3)	–	(0.3)
At 31 July 2015	33.1	(0.6)	10.2	(0.7)	0.6	(3.6)	0.4	39.4

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Total £ million
Company				
At 1 August 2013	0.2	(2.3)	4.6	2.5
Credit/(charge) to the income statement	0.1	(0.1)	(0.7)	(0.7)
Credit to statement of recognised gains and losses	–	1.4	–	1.4
At 31 July 2014	0.3	(1.0)	3.9	3.2
(Charge)/credit to the income statement	–	–	(0.3)	(0.3)
Credit to statement of recognised gains and losses	–	0.4	–	0.4
At 31 July 2015	0.3	(0.6)	3.6	3.3

As the group has been and is expected to continue to be consistently profitable, it is appropriate to recognise the full deferred tax assets.

7. Discontinued operations

On 5 January 2015, the group completed the sale of Close Brothers Seydler (“Seydler”) to Oddo & Cie for a gross cash consideration of €46.5 million (£36.4 million), which includes a post year end adjustment of £0.5 million following finalisation of completion accounts. The profit on disposal was £10.3 million.

Based in Frankfurt, Seydler provided equity and debt capital markets services, securities trading and research primarily in German small and mid-sized companies and was part of the Securities division.

The transaction fulfilled the requirements of IFRS 5 to be classified as “Discontinued operations” in the consolidated income statement, the results of which are set out below:

Results of discontinued operations

	2015 ¹ £ million	2014 £ million
Operating income	11.7	31.3
Operating expenses	(10.4)	(24.4)
Operating profit before tax	1.3	6.9
Tax	(0.4)	(2.3)
Profit after tax	0.9	4.6
Profit on disposal of discontinued operations, net of tax	10.3	–
Profit from discontinued operations	11.2	4.6

1 Profit after tax is up until the point of disposal.

The Notes continued

7. Discontinued operations continued

Cash flow from discontinued operations

	2015 ¹ £ million	2014 £ million
Net cash flow from operating activities	6.6	(9.5)
Net cash flow from investing activities	(0.1)	(0.2)
Net cash flow from financing activities	–	–

1 Up until the point of disposal.

8. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders and the number of basic weighted average shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive share options and awards.

	2015	2014 ¹
Continuing operations		
Basic	117.8p	98.4p
Diluted	116.5p	96.9p
Adjusted basic ²	120.5p	101.0p
Adjusted diluted ²	119.2p	99.5p
Continuing and discontinued operations		
Basic	125.4p	101.5p
Diluted	124.0p	100.0p
Discontinued operations		
Basic	7.6p	3.1p
Diluted	7.5p	3.1p

1 Restated – see note 7.

2 Excludes amortisation of intangible assets on acquisition, discontinued operations and their tax effects.

	2015 £ million	2014 ¹ £ million
Profit attributable to shareholders	185.7	149.8
Less profit from discontinued operations, net of tax	11.2	4.6
Profit attributable to shareholders on continuing operations	174.5	145.2
Adjustments:		
Amortisation of intangible assets on acquisition	5.0	4.9
Tax effect of adjustments	(1.0)	(1.0)
Adjusted profit attributable to shareholders on continuing operations	178.5	149.1

1 Restated – see note 7.

	2015 million	2014 million
Average number of shares		
Basic weighted	148.1	147.6
Effect of dilutive share options and awards	1.7	2.2
Diluted weighted	149.8	149.8

9. Dividends

	2015 £ million	2014 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2014: 32.5p (2013: 29.5p)	47.6	42.9
Interim dividend for current financial year paid in April 2015: 18.0p (2014: 16.5p)	26.7	24.2
	74.3	67.1

A final dividend relating to the year ended 31 July 2015 of 35.5p, amounting to an estimated £52.4 million, is proposed. This final dividend, which is due to be paid on 24 November 2015 to shareholders on the register at 16 October 2015, is not reflected in these financial statements.

10. Loans and advances to banks

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
At 31 July 2015	65.9	7.4	–	3.8	7.5	84.6
At 31 July 2014	74.0	2.1	3.8	7.5	–	87.4

11. Loans and advances to customers

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Impairment provisions £ million	Total £ million
At 31 July 2015	45.4	1,543.5	1,797.8	1,108.2	1,254.1	44.9	(56.1)	5,737.8
At 31 July 2014	60.9	1,463.3	1,660.8	1,038.3	1,093.3	21.4	(48.3)	5,289.7

	2015 £ million	2014 £ million
Impairment provisions on loans and advances to customers		
At 1 August	48.3	61.9
Charge for the year	41.9	44.1
Amounts written off net of recoveries	(34.1)	(57.7)
At 31 July	56.1	48.3

Loans and advances to customers comprise

Hire purchase agreement receivables	2,552.9	2,341.4
Finance lease receivables	473.0	466.5
Other loans and advances	2,711.9	2,481.8
At 31 July	5,737.8	5,289.7

At 31 July 2015, gross impaired loans were £162.3 million (31 July 2014: £159.9 million) and equate to 3% (31 July 2014: 3%) of the gross loan book before impairment provisions. The majority of the group's lending is secured and therefore the gross impaired loans quoted do not reflect the expected loss.

The following table shows a reconciliation between gross investment in finance lease and hire purchase agreement receivables to present value of minimum lease and hire purchase payments:

	2015 £ million	2014 £ million
Gross investment in finance leases and hire purchase agreement receivables due:		
Within one year	1,318.8	1,239.6
Between one and five years	2,193.5	2,023.4
After more than five years	26.0	18.3
	3,538.3	3,281.3
Unearned finance income	(494.1)	(459.2)
Present value of minimum lease and hire purchase agreement payments	3,044.2	2,822.1
Of which due:		
Within one year	1,134.6	1,066.1
Between one and five years	1,887.4	1,740.3
After more than five years	22.2	15.7
	3,044.2	2,822.1

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £5,182.8 million (2014: £4,576.6 million). The average effective interest rate on finance leases approximates to 10.6% (2014: 10.8%). The present value of minimum lease and hire purchase agreement payments reflects the fair value of finance lease and hire purchase agreement receivables before deduction of impairment provisions.

The Notes continued

12. Debt securities

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions	14.1	–	–	14.1
Certificates of deposit	–	–	115.3	115.3
Gilts	–	20.1	–	20.1
At 31 July 2015	14.1	20.1	115.3	149.5

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions	48.6	–	–	48.6
Certificates of deposit	–	–	–	–
Gilts	–	45.6	–	45.6
At 31 July 2014	48.6	45.6	–	94.2

Movements on the book value of gilts and floating rate notes comprise:

	Available for sale		Total £ million
	Gilts £ million	Floating rate notes £ million	
At 1 August 2013	46.7	39.4	86.1
Disposals	–	(37.8)	(37.8)
Redemptions at maturity	–	–	–
Currency translation differences	–	(1.6)	(1.6)
Movement in value	(1.1)	–	(1.1)
At 31 July 2014	45.6	–	45.6
Disposals	–	–	–
Redemptions at maturity	(25.0)	–	(25.0)
Currency translation differences	–	–	–
Movement in value	(0.5)	–	(0.5)
At 31 July 2015	20.1	–	20.1

13. Equity shares

	31 July 2015 £ million	31 July 2014 £ million
Long trading positions	31.1	56.5
Other equity shares	10.1	19.6
	41.2	76.1

Movements on the book value of other equity shares held during the year comprise:

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2013	27.1	0.6	27.7
Additions	0.1	–	0.1
Disposals	(8.2)	(0.5)	(8.7)
Currency translation differences	(1.8)	–	(1.8)
Movement in value of: Equity shares classified as available for sale	2.3	–	2.3
At 31 July 2014	19.5	0.1	19.6
Additions	–	–	–
Disposals	(8.1)	–	(8.1)
Currency translation differences	(0.4)	–	(0.4)
Movement in value of: Equity shares classified as available for sale	(1.0)	–	(1.0)
At 31 July 2015	10.0	0.1	10.1

14. Derivative financial instruments

The group enters into derivative contracts with a number of financial institutions as a principal only to minimise the impact of interest and currency rate changes to its financial instruments. The group's total derivative asset and liability position as reported on the consolidated balance sheet is as follows:

	31 July 2015			31 July 2014		
	Notional value £ million	Assets £ million	Liabilities £ million	Notional value £ million	Assets £ million	Liabilities £ million
Exchange rate contracts	170.1	0.8	0.9	254.6	4.8	0.3
Interest rate contracts	3,979.2	18.9	6.2	4,245.7	8.0	3.8
Equity derivatives	–	–	–	128.1	15.0	15.4
	4,149.3	19.7	7.1	4,628.4	27.8	19.5

Notional amounts of interest rate contracts totalling £2,386.2 million (31 July 2014: £3,127.6 million) and exchange rate contracts totalling £nil (31 July 2014: £nil) have a residual maturity of more than one year.

Included in the derivatives above are the following cash flow and fair value hedges:

	31 July 2015			31 July 2014		
	Notional value £ million	Assets £ million	Liabilities £ million	Notional value £ million	Assets £ million	Liabilities £ million
Cash flow hedges						
Interest rate contracts	1,339.7	0.5	3.8	1,384.0	3.2	0.6
Fair value hedges						
Interest rate contracts	1,328.8	16.9	0.4	1,558.2	3.3	1.6

The cash flow hedges relate to exposure to future interest payments or receipts on recognised financial instruments and on forecast transactions for periods of up to eight (2014: eight) years; there was immaterial ineffectiveness. The cash flow hedge amounts that were removed from equity and included in the consolidated income statement for the years ended 31 July 2015 and 2014 were immaterial. The loss recognised in equity for cash flow hedges during the year was £4.4 million (2014: £3.8 million gain).

The fair value hedges hedge the interest rate risk in recognised financial instruments; the loss on the hedged items was £14.9 million (2014: £5.2 million) which was largely offset by a gain of £15.0 million (2014: £5.3 million) on the hedging instrument.

The Notes continued

15. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Group total £ million	Company software £ million
Cost					
At 1 August 2013	156.5	51.6	42.4	250.5	0.3
Additions	–	19.9	–	19.9	0.1
Disposals	–	(2.7)	–	(2.7)	–
Foreign exchange	(0.4)	–	–	(0.4)	–
At 31 July 2014	156.1	68.8	42.4	267.3	0.4
Additions	0.3	20.3	1.5	22.1	–
Disposals	(10.4)	(8.1)	–	(18.5)	–
Foreign exchange	–	–	–	–	–
At 31 July 2015	146.0	81.0	43.9	270.9	0.4
Amortisation and impairment					
At 1 August 2013	68.0	28.0	12.9	108.9	0.2
Amortisation charge for the year	–	9.8	4.9	14.7	0.1
Disposals	–	(2.6)	–	(2.6)	–
At 31 July 2014	68.0	35.2	17.8	121.0	0.3
Amortisation charge for the year	–	13.5	5.0	18.5	–
Disposals	(6.2)	(6.5)	(0.1)	(12.8)	–
At 31 July 2015	61.8	42.2	22.7	126.7	0.3
Net book value at 31 July 2015	84.2	38.8	21.2	144.2	0.1
Net book value at 31 July 2014	88.1	33.6	24.6	146.3	0.1
Net book value at 1 August 2013	88.5	23.6	29.5	141.6	0.1

Additions in goodwill of £0.3 million relate to the 100% acquisition of Mackay Stewart and Brown Limited, a Scottish Independent Financial Adviser with £72.0 million of client assets, for cash consideration of £1.1 million for the equity of the business. This acquisition is not regarded as material in the context of the group's financial statements and therefore information required for material acquisitions by IFRS 3 has not been disclosed.

The goodwill disposals of £10.4 million relate to the Seydler disposal of £4.2 million and the write off of fully impaired goodwill of £6.2 million relating to the wind up Fortune Asset Management Limited.

Intangible assets on acquisition relates to broker and customer relationships and are amortised over a period of eight to 20 years.

In the 2015 financial year, £5.0 million (2014: £4.9 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £13.5 million (2014: £9.8 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

Impairment tests for goodwill

At 31 July 2015, goodwill has been allocated to nine individual CGUs of which seven are within the Banking division, one is the Securities division and the remaining one is the Asset Management division.

Goodwill impairment reviews are carried out annually by assessing the recoverable amount of the group's CGUs, which is the higher of fair value less costs to sell and value in use. The recoverable amounts for all CGUs were measured based on value in use.

A value in use calculation uses discounted cash flow projections based on the most recent board approved budgets and three year plans to determine the recoverable amount of each CGU. The key assumptions underlying management's three year plans, which are based on past experience and forecast market conditions, are expected market-making conditions in the Securities CGU, expected total client asset growth rate and revenue margin in the Asset Management CGU and expected loan book growth rates and net return on loan book in the Banking CGUs.

For cash flows beyond the group's three year planning horizon, a terminal value was calculated using a prudent annual growth rate of 0% (2014: 0%), except for the Close Brothers Asset Management CGU where a growth rate of 2% (2014: 2%) is considered more appropriate as the business is expected to grow at a steady rate in line with GDP growth rates.

These cash flows are discounted using a pre-tax estimated weighted average cost of capital that reflects current market rates appropriate to the CGU as set out in the table below. For the 2015 calculation, the pre-tax discount rates have been adjusted in each year to reflect the expected future change in corporation tax rate in each CGU as announced by the Chancellor in his Summer Budget 2015. As such, the pre-tax discount rates in the table are an average of the rate used in that CGU.

At 31 July 2015, the results of the review indicate there is no goodwill impairment. The inputs used in the value in use calculations are sensitive, primarily to the impact of changes in the assumptions for future cash flows, discount rates, and long-term growth rates. Having performed stress tested value in use calculations, the group believes that any reasonably possible change in the key assumptions which have been used would not lead the carrying value of any CGU to exceed its recoverable amount.

Details of the CGUs in which the goodwill carrying amount is significant in comparison with total goodwill, together with the pre-tax discount rate used in determining value in use are disclosed separately in the table below:

Cash generating unit	31 July 2015		31 July 2014	
	Goodwill £ million	Pre-tax discount rate %	Goodwill £ million	Pre-tax discount rate %
Winterflood Securities	23.3	12.5	23.3	10.8
Close Brothers Asset Management	33.7	11.0	33.5	10.4
Close Brothers Asset Finance	7.4	12.3	7.4	12.5
Other	19.8	11.0–12.5	23.9	10.8–12.5
	84.2		88.1	

16. Property, plant and equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Total £ million
Group					
Cost					
At 1 August 2013	9.3	40.9	99.1	1.2	150.5
Additions	0.8	4.6	46.1	0.5	52.0
Disposals	–	(10.6)	(12.5)	(0.5)	(23.6)
At 31 July 2014	10.1	34.9	132.7	1.2	178.9
Additions	7.4	7.7	43.7	–	58.8
Disposals	(0.1)	(8.0)	(11.3)	(0.4)	(19.8)
At 31 July 2015	17.4	34.6	165.1	0.8	217.9
Depreciation					
At 1 August 2013	4.4	32.6	23.1	0.7	60.8
Charge for the year	1.3	4.5	13.9	0.3	20.0
Disposals	–	(10.4)	(8.1)	(0.4)	(18.9)
At 31 July 2014	5.7	26.7	28.9	0.6	61.9
Charge for the year	1.6	4.5	16.7	0.1	22.9
Disposals	(0.1)	(7.5)	(7.5)	(0.2)	(15.3)
At 31 July 2015	7.2	23.7	38.1	0.5	69.5
Net book value at 31 July 2015	10.2	10.9	127.0	0.3	148.4
Net book value at 31 July 2014	4.4	8.2	103.8	0.6	117.0
Net book value at 1 August 2013	4.9	8.3	76.0	0.5	89.7

The Notes continued

16. Property, plant and equipment continued

Assets held under operating leases relate to our rentals businesses within the Banking division. In addition to the depreciation charged in the year of £16.7 million (2014: £13.9 million), these assets generated other income of £39.1 million (2014: £32.4 million) and interest and fee expense of £12.5 million (2014: £11.1 million). The gains/(losses) from the sale of assets held under operating leases for the year ended 31 July 2015 was £nil (2014: £0.3 million gain).

	31 July 2015 £ million	31 July 2014 £ million
Future minimum lease rentals receivable under non-cancellable operating leases		
Within one year	24.0	22.4
Between one and five years	48.4	40.0
After more than five years	0.2	–
	72.6	62.4

Company	Leasehold property £ million	Fixtures, fittings and equipment £ million	Total £ million
Cost			
At 1 August 2013	2.6	1.3	3.9
Additions	0.5	0.1	0.6
At 31 July 2014	3.1	1.4	4.5
Additions	0.1	–	0.1
At 31 July 2015	3.2	1.4	4.6
Depreciation			
At 1 August 2013	1.6	1.2	2.8
Charge for the year	0.5	0.1	0.6
At 31 July 2014	2.1	1.3	3.4
Charge for the year	0.7	–	0.7
At 31 July 2015	2.8	1.3	4.1
Net book value at 31 July 2015	0.4	0.1	0.5
Net book value at 31 July 2014	1.0	0.1	1.1
Net book value at 1 August 2013	1.0	0.1	1.1

The net book value of leasehold property comprises:

	Group		Company	
	31 July 2015 £ million	31 July 2014 £ million	31 July 2015 £ million	31 July 2014 £ million
Long leasehold property	0.7	0.8	–	–
Short leasehold property	9.5	3.6	0.4	1.0
	10.2	4.4	0.4	1.0

17. Other assets and other liabilities

	31 July 2015 £ million	31 July 2014 £ million
Prepayments, accrued income and other assets		
Prepayments and accrued income	83.5	79.5
Trade and other receivables	34.3	49.2
	117.8	128.7

Accruals, deferred income and other liabilities

Accruals and deferred income	116.3	111.9
Trade and other payables	71.3	78.6
Provisions	21.4	22.0
	209.0	212.5

Provisions movement in the year:

	Claims £ million	Property £ million	Other £ million	Total £ million
Group				
At 1 August 2013	0.6	13.2	10.0	23.8
Additions	1.3	1.9	5.3	8.5
Utilised	(0.6)	(2.2)	(4.5)	(7.3)
Released	(0.6)	(2.0)	(0.4)	(3.0)
At 31 July 2014	0.7	10.9	10.4	22.0
Additions	0.6	3.7	4.2	8.5
Utilised	(0.3)	(2.4)	(4.7)	(7.4)
Released	(0.6)	(1.0)	(0.1)	(1.7)
At 31 July 2015	0.4	11.2	9.8	21.4

	Property £ million	Other £ million	Total £ million
Company			
At 1 August 2013	3.4	8.4	11.8
Additions	0.2	4.3	4.5
Utilised	–	(4.1)	(4.1)
Released	(1.4)	–	(1.4)
At 31 July 2014	2.2	8.6	10.8
Additions	–	2.9	2.9
Utilised	–	(4.0)	(4.0)
Released	–	–	–
At 31 July 2015	2.2	7.5	9.7

Claims and other items for which provisions are made arise in the normal course of business and include those related to employee benefits. The timing and outcome of these claims and other items are uncertain. Property provisions are in respect of leaseholds where rents payable exceed the value to the group, in respect of potential dilapidations and onerous leases. These property provisions will be utilised and released over the remaining lives of the leases which range from one to 10 years.

The Notes continued

18. Settlement balances and short positions

	31 July 2015 £ million	31 July 2014 £ million
Settlement balances	376.5	444.1
Short positions held for trading:		
Debt securities	13.7	34.3
Equity shares	14.1	15.6
	27.8	49.9
	404.3	494.0

19. Financial liabilities

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	11.5	0.3	22.8	0.5	–	–	35.1
Deposits by customers	154.8	828.4	2,347.7	851.2	299.3	–	4,481.4
Loans and overdrafts from banks	8.6	99.1	123.7	59.9	89.9	–	381.2
Debt securities in issue	11.2	6.7	1.1	747.8	299.3	298.9	1,365.0
At 31 July 2015	186.1	934.5	2,495.3	1,659.4	688.5	298.9	6,262.7

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	21.1	20.0	8.5	–	–	–	49.6
Deposits by customers	165.0	1,256.5	1,532.5	1,399.3	160.4	–	4,513.7
Loans and overdrafts from banks	4.4	5.0	–	–	–	–	9.4
Debt securities in issue	–	6.7	350.5	227.8	470.4	299.0	1,354.4
At 31 July 2014	190.5	1,288.2	1,891.5	1,627.1	630.8	299.0	5,927.1

Of the debt securities in issue, £298.9 million mature on 27 June 2021, £199.4 million mature on 10 February 2017 and £847.7 million relate to the insurance premium and motor loan receivables securitisations as discussed in note 29(c).

As discussed in note 29(c) the group has repurchase agreements at 31 July 2015 (2014: none) whereby £375.0 million Treasury Bills have been drawn and lent in exchange for cash which is included within loans and overdrafts from banks. Residual maturities of the repurchase agreements are as follows:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
At 31 July 2015	–	99.1	123.7	59.9	89.9	–	372.6

20. Subordinated loan capital

	Prepayment date	Initial interest rate	31 July 2015 £ million	31 July 2014 £ million
Final maturity date				
2020	2015	7.39%	–	30.8
2026	2021	7.42%	15.5	15.5
2026	2021	7.62%	30.9	30.9
			46.4	77.2

All the subordinated loan capital has been issued by Close Brothers Limited (“CBL”) and is denominated in sterling. If CBL opts not to prepay at the prepayment date, the interest rate is reset to a margin over the yield on five year UK Treasury securities. In March 2015 CBL exercised its option to prepay £30.0 million of its subordinated loan capital.

21. Share capital

	31 July 2015		31 July 2014	
	million	£ million	million	£ million
Group and company				
Allotted, issued and fully paid				
Ordinary shares of 25p each	150.6	37.7	150.6	37.7

22. Company reserves

	Profit and loss account £ million	Other reserves £ million
At 1 August 2013	306.1	(11.6)
Profit attributable to shareholders	80.8	–
Dividends paid	(67.1)	–
Shares purchased	–	(7.8)
Shares released	–	13.7
Other movements	(6.5)	(1.4)
At 31 July 2014	313.3	(7.1)
Profit attributable to shareholders	79.9	–
Dividends paid	(74.1)	–
Shares purchased	–	(18.2)
Shares released	–	20.5
Other movements	(9.3)	3.4
At 31 July 2015	309.8	(1.4)

Movements in the group reserves are presented in the consolidated statement of changes in equity.

23. Capital

The group's policy is to be well capitalised and its approach to capital management is driven by strategic and organisational requirements, while also taking into account the regulatory and commercial environments in which it operates.

The Prudential Regulation Authority ("PRA") supervises the group on a consolidated basis and receives information on the capital adequacy of, and sets capital requirements for, the group as a whole. In addition, a number of subsidiaries are regulated for prudential purposes by either the PRA or the Financial Conduct Authority ("FCA"). The aim of the capital adequacy regime is to promote safety and soundness in the financial system. It is structured around three "pillars": Pillar 1 on minimum capital requirements; Pillar 2 on the supervisory review process; and Pillar 3 on market discipline. The group's Pillar 1 information is presented in the following table. Under Pillar 2, the group completes an annual self assessment of risks known as the "Internal Capital Adequacy Assessment Process" ("ICAAP"). The ICAAP is reviewed by the PRA which culminates in the PRA setting "Individual Capital Guidance" ("ICG") on the level of capital the group and its regulated subsidiaries are required to hold. Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess information on that firm's capital, risk exposures and risk assessment process. The group's Pillar 3 disclosures can be found on the group's website www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations.

The group maintains a strong capital base to support the development of the business and to ensure the group meets the Pillar 1 capital requirements and ICG at all times. As a result, the group maintains capital adequacy ratios above minimum regulatory requirements. The group's individual regulated entities complied with all of the externally imposed capital requirements to which they are subject for the years ended 31 July 2015 and 2014.

A full analysis of the composition of regulatory capital and Pillar 1 risk weighted assets is shown in the following table, including a reconciliation between equity and common equity tier 1 capital after deductions.

At 31 July 2015, the group's common equity tier 1 capital ratio increased to 13.7% (31 July 2014: 13.1%).

Common equity tier 1 capital increased to £813.2 million (31 July 2014: £710.8 million) primarily due to growth in profit attributable to shareholders.

Risk weighted assets increased to £5,932.1 million (31 July 2014: £5,445.8 million) as a result of growth in credit and counterparty risk associated with the loan book, which was partly offset by a reduction in market risk due to the disposal of Seydler as well as lower trading balances at Winterflood. Notional risk weighted assets for operational risk also increased reflecting increased performance over recent years.

The Notes continued

23. Capital continued

The composition of capital remained broadly stable with 95.9% (31 July 2014: 91.1%) of the total capital consisting of common equity tier 1 capital.

	31 July 2015 £ million	31 July 2014 £ million
Common equity tier 1 capital		
Called up share capital	37.7	37.7
Share premium account	284.0	283.8
Retained earnings	694.4	589.8
Other reserves recognised for common equity tier 1 capital	18.3	21.4
Deductions from common equity tier 1 capital		
Intangible assets, net of associated deferred tax liabilities	(140.6)	(142.1)
Foreseeable dividend ¹	(52.4)	(47.7)
Investment in own shares	(25.6)	(27.9)
Pension asset, net of associated deferred tax liabilities	(2.5)	(3.9)
Additional valuation adjustments	(0.1)	(0.3)
Common equity tier 1 capital	813.2	710.8
Tier 2 capital		
Subordinated debt ²	31.5	60.0
Unrealised gains on available for sale equity shares	3.3	9.6
Tier 2 capital	34.8	69.6
Total regulatory capital	848.0	780.4
Risk weighted assets (notional) – unaudited		
Credit and counterparty credit risk	5,103.2	4,564.5
Operational risk ³	753.5	695.5
Market risk ³	75.4	185.8
	5,932.1	5,445.8
Common equity tier 1 capital ratio	13.7%	13.1%
Total capital ratio	14.3%	14.3%

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2015 and 31 July 2014 for a foreseeable dividend being the proposed final dividend as set out in note 9.

2 Under the Capital Requirements Regulation's transitional arrangements, 70% (31 July 2014: 80%) of the principal value of subordinated debt is recognised.

3 Operational and market risk include a notional adjustment at 8% in order to determine notional risk weighted assets.

The following table shows a reconciliation between equity and common equity tier 1 capital after deductions:

	31 July 2015 £ million	31 July 2014 £ million
Equity	1,009.9	917.6
Regulatory deductions from equity:		
Intangible assets, net of associated deferred tax liabilities	(140.6)	(142.1)
Foreseeable dividend ¹	(52.4)	(47.7)
Pension asset, net of associated deferred tax liabilities	(2.5)	(3.9)
Additional valuation adjustments	(0.1)	(0.3)
Other reserves not recognised for common equity tier 1 capital:		
Available for sale movements reserve	(3.3)	(9.6)
Cash flow hedging reserve	2.3	(2.1)
Non-controlling interests	(0.1)	(1.1)
Common equity tier 1 capital	813.2	710.8

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2015 and 31 July 2014 for a foreseeable dividend being the proposed final dividend as set out in note 9.

24. Contingent liabilities, guarantees and commitments

Contingent liabilities

Financial Services Compensation Scheme ("FSCS")

A principal subsidiary of the group, CBL, by virtue of being a regulated deposit-taker, contributes to the FSCS which provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. The FSCS raises levies on UK licensed deposit-taking institutions to meet such claims based on their share of UK deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March). At 31 July 2015, the group has accrued £1.9 million (2014: £2.2 million) for its share of levies that will be raised by the FSCS.

Compensation has previously been paid out by the FSCS funded by loan facilities provided by HM Treasury to FSCS in support of FSCS's obligations to the depositors of banks declared in default. The facilities are expected to be repaid wholly from recoveries from the failed deposit takers, except for an estimated shortfall of £1.0 billion which the FSCS is recovering by levying the industry in three equal instalments beginning in 2013/2014, in addition to the ongoing interest charges on the outstanding loans.

The amount of future levies payable by the group depends on a number of factors including the potential recoveries of assets by the FSCS, the group's participation in the deposit-taking market at 31 December, the level of protected deposits and the population of FSCS members.

Guarantees

	Group		Company	
	31 July 2015 £ million	31 July 2014 £ million	31 July 2015 £ million	31 July 2014 £ million
Guarantees and irrevocable letters of credit	136.7	112.1	114.0	110.5

Where the group undertakes to make a payment on behalf of its subsidiaries for guarantees issued, such as bank facilities or property leases or as irrevocable letters of credit for which an obligation to make a payment to a third party has not arisen at the reporting date, they are included in these consolidated financial statements as contingent liabilities.

Commitments

Undrawn facilities, credit lines and other commitments to lend

	31 July 2015 £ million	31 July 2014 £ million
Within one year	1,177.9	1,250.4
After more than one year	31.7	12.7
	1,209.6	1,263.1

Operating lease commitments

Minimum operating lease payments recognised in the consolidated income statement amounted to £10.8 million (2014: £10.9 million).

At 31 July 2015, the group had outstanding commitments for future minimum lease rentals payable under non-cancellable operating leases, which fall due as follows:

	31 July 2015		31 July 2014	
	Premises £ million	Other £ million	Premises £ million	Other £ million
Within one year	10.4	2.7	10.6	2.4
Between one and five years	39.3	3.8	35.1	3.2
After more than five years	15.8	–	9.2	–
	65.5	6.5	54.9	5.6

Other commitments

Subsidiaries had contracted capital commitments relating to capital expenditure of £15.1 million (2014: £3.2 million).

The Notes continued

25. Related party transactions

Transactions with key management

Details of directors' remuneration and interests in shares are disclosed in the Report of the Board on Directors' Remuneration on pages 58 to 77.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity; the group's key management are the members of the group's Executive Committee, which includes all executive directors, together with its non-executive directors.

The table below details, on an aggregated basis, key management personnel emoluments:

	2015 £ million	2014 £ million
Emoluments		
Salaries and fees	3.6	3.6
Benefits and allowances	0.7	0.6
Performance related awards in respect of the current year:		
Cash	3.4	3.2
Deferred	3.0	3.1
	10.7	10.5
Share-based awards	5.7	5.4
	16.4	15.9

Gains upon exercise of options by key management personnel, expensed to the income statement in previous years, totalled £20.3 million (2014: £16.2 million).

Key management have banking relationships with group entities which are entered into in the normal course of business. Amounts included in deposits by customers at 31 July 2015 attributable, in aggregate, to key management were £2.3 million (31 July 2014: £2.6 million).

26. Pensions

The group operates defined contribution pension schemes for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual. Assets of all schemes are held separately from those of the group.

Defined contribution schemes

During the year the charge to the consolidated income statement for the group's defined contribution pension schemes was £9.3 million (2014: £8.9 million) representing contributions payable by the group and is included in administrative expenses.

Defined benefit pension scheme

The group's only defined benefit pension scheme ("the scheme") is a final salary scheme which operates under trust law. The scheme is managed and administered in accordance with the scheme's Trust Deed and Rules and all relevant legislation by a trustee board made up of trustees nominated by both the company and the members.

The scheme was closed to new entrants in August 1996 and closed to further accrual during 2012. At 31 July 2015 this scheme had 61 (2014: 64) deferred members and 35 (2014: 34) pensioners and dependants.

Funding position

The scheme's most recent triennial actuarial valuation at 31 July 2012 identified a £6.0 million funding deficit. The group contributed £3.3 million towards this deficit during the year ended 31 July 2013 and has agreed to fund the remaining £2.7 million deficit plus interest over the period to 31 July 2017 subject to the next triennial valuation at 31 July 2015. The contribution that is due to be made during the year to 31 July 2016 is £1.4 million.

IAS 19 (Revised) valuation at 31 July 2015

The following disclosures are reported in accordance with IAS 19 (Revised). Significant actuarial assumptions used:

	2015 %	2014 %
Inflation rate (RPI)	3.3	3.3
Inflation rate (CPI)	2.3	2.3
Discount rate for scheme liabilities ¹	3.6	4.2
Expected interest/expected long-term return on plan assets	3.6	4.2
Mortality assumptions²:		
Existing pensioners from age 65, life expectancy (years):		
Men	24.6	24.5
Women	26.0	25.9
Non-retired members currently aged 50, life expectancy from age 65 (years):		
Men	25.3	25.2
Women	28.1	28.0

1 Based on market yields at 31 July 2015 and 2014 on high quality sterling-denominated corporate bonds, adjusted to be consistent with the estimated term of the post employment benefit obligation, using the Towers Watson model "Global RATE:Link".

2 Based on standard tables SAPS S1 Light produced by the CMI Bureau of the Institute and Faculty of Actuaries with adjusted mortality multipliers for pensioners and non-pensioners, together with projected future improvements in line with the CMI 2011 core projection model with a long-term trend of 1.5% per annum.

The surplus of the scheme disclosed below has been accounted for as an asset of the group within note 17 Prepayments, accrued income and other assets.

The group has the unconditional right to any surpluses that arise within the scheme once all benefits have been secured in full. As such no asset ceiling has been applied.

	2015 £ million	2014 £ million	2013 £ million	2012 £ million	2011 £ million
Fair value of scheme assets:					
Equities ¹	33.0	31.8	30.7	28.1	25.4
Bonds ¹	8.5	7.9	7.4	7.0	6.6
Cash	0.2	0.2	–	–	3.3
Total fair value of scheme assets	41.7	39.9	38.1	35.1	35.3
Present value of scheme liabilities	(38.6)	(35.0)	(31.9)	(34.7)	(39.9)
Surplus/(deficit)	3.1	4.9	6.2	0.4	(4.6)

1 These assets have quoted market prices.

The Notes continued

26. Pensions continued

Movement in the present value of scheme liabilities during the year:

	2015 £ million	2014 £ million
Carrying amount at 1 August	(35.0)	(31.9)
Interest expense	(1.4)	(1.4)
Benefits paid	2.7	1.6
Actuarial losses	(4.9)	(3.3)
Carrying amount at 31 July	(38.6)	(35.0)

Movement in the fair value of scheme assets during the year:

	2015 £ million	2014 £ million
Carrying amount at 1 August	39.9	38.1
Interest income	1.6	1.7
Benefits paid	(2.7)	(1.6)
Return on scheme assets, excluding interest income	2.9	1.7
Carrying amount at 31 July	41.7	39.9

Historical experience of actuarial gains/(losses) are shown below:

	2015 £ million	2014 £ million	2013 £ million	2012 £ million	2011 £ million
Experience gains/(losses) on scheme assets	2.9	1.7	4.6	(0.8)	1.3
Experience (losses)/gains on scheme liabilities	-	(0.1)	0.5	0.6	(1.8)
Impact of changes in assumptions on scheme liabilities	(4.9)	(3.2)	(2.7)	2.0	(5.7)
Total actuarial (losses)/gains on scheme liabilities	(4.9)	(3.3)	(2.2)	2.6	(7.5)
Total actuarial (losses)/gains	(2.0)	(1.6)	2.4	1.8	(6.2)

Total actuarial losses have been recognised in other comprehensive income. Income of £0.2 million (2014: £0.3 million) from the interest on the scheme surplus has been recognised within administrative expenses in the consolidated income statement.

The valuation of the scheme's liabilities is sensitive to the key assumptions used in the valuation. The effect of a change in those assumptions in 2015 and 2014 is set out below. The analysis reflects the variation of the individual assumptions. The variation in price inflation includes all inflation-linked pension increases in deferment and in payment.

Key assumption	Sensitivity	Impact on defined benefit obligation increase/(decrease)			
		2015		2014	
		%	£ million	%	£ million
Discount rate	0.25% increase	(5.0)	(1.9)	(5.0)	(1.7)
Price inflation (RPI and CPI)	0.25% increase	2.5	1.0	2.5	0.9
Mortality	Increase in life expectancy at age 65 by one year	3.0	1.2	3.0	1.0

Changes in the assumptions used in the valuation due to external factors would affect the carrying value of the scheme. The most significant risks are:

- Market factors (movements in equity and bond markets): 79% of the scheme's assets are invested in global equities and the scheme's liabilities are measured with reference to corporate bond yields. The performance of both of these asset classes can be volatile. Underperformance of either of these markets would have an adverse impact on the carrying value of the scheme.
- Inflation: Deferred pensions and pensions in payment increase at specified periods in line with inflation subject to certain caps and floors in place. Changes in inflation may impact scheme liabilities.
- Life expectancy: Change in the life expectancy of the scheme's members may impact scheme liabilities.

The weighted average duration of the benefit payments reflected in the scheme liabilities is 20 years.

27. Share-based awards

The 1995 Executive Share Option Scheme (“ESOS”), Save As You Earn (“SAYE”) scheme, 2009 Long Term Incentive Plan (“LTIP”), Deferred Share Awards (“DSA”) and Share Matching Plan (“SMP”) share-based awards have been granted under the group’s share schemes. The general terms and conditions for these share-based awards are described in the Report of the Board on Directors’ Remuneration on pages 58 to 77.

In order to satisfy a number of the awards below the company has purchased company shares into Treasury and the Close Brothers Group Employee Share Trust has purchased company shares. At 31 July 2015, 1.2 million (2014: 1.7 million) and 1.7 million (2014: 2.1 million) of these shares were held respectively and in total £25.6 million (2014: £27.9 million) was recognised within the share-based payments reserve. During the year £20.5 million (2014: £13.7 million) of these shares were released to satisfy share-based awards to employees. The share-based payments reserve as shown in the consolidated statement of changes in equity also includes the cumulative position in relation to unvested share-based awards charged to the consolidated income statement of £21.1 million (2014: £20.4 million). The share-based awards charge of £7.8 million (2014: £7.3 million) is included in administrative expenses shown in the consolidated income statement.

Movements in the number of share-based awards outstanding and their weighted average share prices are as follows:

	ESOS		SAYE		LTIP		DSA ¹		SMP	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 August 2013	361,389	689.5p	1,194,612	541.7p	2,316,359	–	928,766	–	1,489,378	–
Granted	–	–	708,536	1,041.4p	494,604	–	305,294	–	392,918	–
Exercised	(11,796)	714.1p	(459,850)	475.9p	(595,807)	–	(481,471)	–	(508,217)	–
Forfeited	–	–	(132,086)	654.9p	–	–	–	–	–	–
Lapsed	(215,937)	709.2p	(10,872)	576.7p	(167,463)	–	(21,729)	–	(78,466)	–
At 31 July 2014	133,656	655.6p	1,300,340	825.4p	2,047,693	–	730,860	–	1,295,613	–
Granted	–	–	272,172	1,143.0p	510,680	–	276,675	–	373,938	–
Exercised	(13,147)	656.0p	(389,471)	559.0p	(796,622)	–	(435,116)	–	(541,517)	–
Forfeited	–	–	(37,614)	1,049.2p	–	–	–	–	–	–
Lapsed	(120,509)	655.5p	(66,703)	940.5p	(52,932)	–	(18,539)	–	(18,001)	–
At 31 July 2015	–	–	1,078,724	–	1,708,819	–	553,880	–	1,110,033	–
Exercisable at:										
31 July 2015	–	–	658	547.0p	13,878	–	38,471	–	–	–
31 July 2014	133,656	655.6p	–	–	16,030	–	171,754	–	–	–

¹ Includes all awards made under the group’s DSA and Matching and Restricted awards granted to new employees on commencement of employment with the group.

The table below shows the weighted average market price at the date of exercise:

	2015	2014
ESOS	1,430.0p	1,266.2p
SAYE	1,513.4p	1,336.3p
LTIP	1,480.9p	1,285.1p
DSA	1,463.2p	1,248.0p
SMP	1,470.5p	1,258.1p

The Notes continued

27. Share-based awards continued

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2015 Options outstanding		2014 Options outstanding	
	Number outstanding	Weighted average remaining contractual life Years	Number outstanding	Weighted average remaining contractual life Years
ESOS				
Between £6 and £7	–	–	133,656	0.2
SAYE				
Between £5 and £6	71,327	1.4	421,680	1.1
Between £6 and £7	141,035	1.1	197,054	1.8
Between £9 and £10	304,139	2.5	337,873	3.4
Between £11 and £12	562,223	3.0	343,733	3.9
LTIP				
Nil	1,708,819	2.1	2,047,693	2.0
DSA				
Nil	553,880	1.4	730,860	2.2
SMP				
Nil	1,110,033	2.2	1,295,613	1.7
Total	4,451,456	2.1	5,508,162	2.0

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2015 was 945.2p (2014: 677.3p). The main assumptions for the valuation of these share-based awards comprised:

Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 December 2017 to 31 May 2018	1,428.0p	1,143.0p	21.0%	3	3.4%	1.0%
1 December 2019 to 31 May 2020	1,428.0p	1,143.0p	22.0%	5	3.4%	1.5%
LTIP						
1 October 2017 to 30 September 2018	1,431.0p	–	21.0%	3	3.4%	1.3%
30 September 2019 to 29 September 2020	1,446.0p	–	22.0%	4	3.4%	1.1%
30 September 2020 to 29 September 2021	1,446.0p	–	21.0%	5	3.4%	1.3%
DSA						
1 October 2015 to 30 September 2018	1,431.0p	–	–	–	–	–
15 March 2016 to 15 March 2019	1,576.0p	–	–	–	–	–
15 March 2016 to 15 March 2018	1,446.0p	–	–	–	–	–
15 June 2016 to 15 June 2019	1,446.0p	–	–	–	–	–
SMP						
1 October 2017 to 30 September 2018	1,431.0p	–	21.0%	3	3.4%	1.3%

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

28. Consolidated cash flow statement reconciliation

	31 July 2015 £ million	31 July 2014 ¹ £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit before tax from continuing operations	219.9	188.8
Profit before tax on discontinued operations	11.6	6.9
Tax paid	(53.4)	(35.3)
Depreciation and amortisation	41.4	34.7
(Increase)/decrease in:		
Interest receivable and prepaid expenses	(4.2)	4.9
Net settlement balances and trading positions	22.8	(8.8)
Net loans to/from money broker against stock advanced	(2.9)	0.2
Increase in interest payable and accrued expenses	8.2	15.9
Net cash inflow from trading activities	243.4	207.3
Decrease/(increase) in:		
Loans and advances to banks not repayable on demand	1.6	(2.6)
Loans and advances to customers	(448.1)	(644.1)
Assets let under operating leases	(39.8)	(41.4)
Floating rate notes classified as available for sale	–	37.8
Certificates of deposit	(115.3)	–
Debt securities held for liquidity	25.0	–
Other assets less other liabilities	(19.1)	30.5
(Decrease)/increase in:		
Deposits by banks	(14.5)	(17.0)
Deposits by customers	(23.0)	498.3
Loans and overdrafts from banks	371.8	(28.2)
Debt securities in issue, net of transaction costs	–	299.0
Net cash inflow from operating activities	(18.0)	339.6
(b) Analysis of net cash outflow in respect of the purchase of non-controlling interests		
Cash consideration paid	(1.0)	(7.5)
(c) Analysis of net cash inflow in respect of the sale of a subsidiary		
Cash consideration received	36.9	–
Cash and cash equivalents disposed of	(13.7)	–
	23.2	–
(d) Analysis of changes in financing activities		
Share capital (including premium) and subordinated loan capital ² :		
Opening balance	396.5	396.4
Shares issued for cash	0.1	0.1
	396.6	396.5
(e) Analysis of cash and cash equivalents³		
Cash and balances at central banks	1,031.2	1,164.7
Loans and advances to banks repayable on demand	72.5	74.0
	1,103.7	1,238.7

1 Restated – see note 7.

2 Excludes accrued interest.

3 Excludes Bank of England cash reserve account and amounts held as collateral.

The Notes continued

29. Financial risk management

As a financial services group, financial instruments are central to the group's activities. The risk associated with financial instruments represents a significant component of those faced by the group and is analysed in more detail below.

The group's financial risk management objectives are summarised within the Risk and Control Framework in Corporate Governance on page 49 and 50. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1.

(a) Classification

The following tables analyse the group's assets and liabilities in accordance with the categories of financial instruments in IAS 39.

	Held for trading £ million	Designated at fair value through profit or loss £ million	Available for sale £ million	Loans and receivables £ million	Other financial instruments amortised cost £ million	Derivatives held for hedging £ million	Total £ million
At 31 July 2015							
Assets							
Cash and balances at central banks	–	–	–	1,038.0	–	–	1,038.0
Settlement balances	–	–	–	398.3	–	–	398.3
Loans and advances to banks	–	–	–	84.6	–	–	84.6
Loans and advances to customers	–	–	–	5,737.8	–	–	5,737.8
Debt securities	14.1	–	20.1	115.3	–	–	149.5
Equity shares	31.1	0.1	10.0	–	–	–	41.2
Loans to money brokers against stock advanced	–	–	–	38.4	–	–	38.4
Derivative financial instruments	2.3	–	–	–	–	17.4	19.7
Other financial assets	–	–	–	36.5	–	–	36.5
	47.5	0.1	30.1	7,448.9	–	17.4	7,544.0
Liabilities							
Settlement balances and short positions	27.8	–	–	–	376.5	–	404.3
Deposits by banks	–	–	–	–	35.1	–	35.1
Deposits by customers	–	–	–	–	4,481.4	–	4,481.4
Loans and overdrafts from banks	–	–	–	–	381.2	–	381.2
Debt securities in issue	–	–	–	–	1,365.0	–	1,365.0
Loans from money brokers against stock advanced	–	–	–	–	–	–	–
Subordinated loan capital	–	–	–	–	46.4	–	46.4
Derivative financial instruments	2.9	–	–	–	–	4.2	7.1
Other financial liabilities	–	–	–	–	105.0	–	105.0
	30.7	–	–	–	6,790.6	4.2	6,825.5

	Held for trading £ million	Designated at fair value through profit or loss £ million	Available for sale £ million	Loans and receivables £ million	Other financial instruments amortised cost £ million	Derivatives held for hedging £ million	Total £ million
At 31 July 2014							
Assets							
Cash and balances at central banks	–	–	–	1,171.8	–	–	1,171.8
Settlement balances	–	–	–	465.8	–	–	465.8
Loans and advances to banks	–	–	–	87.4	–	–	87.4
Loans and advances to customers	–	–	–	5,289.7	–	–	5,289.7
Debt securities	48.6	–	45.6	–	–	–	94.2
Equity shares	56.5	0.1	19.5	–	–	–	76.1
Loans to money brokers against stock advanced	–	–	–	63.9	–	–	63.9
Derivative financial instruments	21.3	–	–	–	–	6.5	27.8
Other financial assets	–	–	–	50.5	–	–	50.5
	126.4	0.1	65.1	7,129.1	–	6.5	7,327.2
Liabilities							
Settlement balances and short positions	49.8	–	–	–	444.2	–	494.0
Deposits by banks	–	–	–	–	49.6	–	49.6
Deposits by customers	–	–	–	–	4,513.7	–	4,513.7
Loans and overdrafts from banks	–	–	–	–	9.4	–	9.4
Debt securities in issue	–	–	–	–	1,354.4	–	1,354.4
Loans from money brokers against stock advanced	–	–	–	–	28.4	–	28.4
Subordinated loan capital	–	–	–	–	77.2	–	77.2
Derivative financial instruments	17.3	–	–	–	–	2.2	19.5
Other financial liabilities	–	–	–	–	115.4	–	115.4
	67.1	–	–	–	6,592.3	2.2	6,661.6

(b) Valuation

The fair values of the group's financial assets and liabilities are not materially different from their carrying values, with the exception of subordinated loan capital, and the Close Brothers Group plc ("CBG") and CBL bonds.

	31 July 2015		31 July 2014	
	Fair value	Carrying value	Fair value	Carrying value
Subordinated loan capital	56.9	46.4	88.3	77.2
CBG bond	219.7	205.6	224.9	205.2
CBL bond	315.4	311.2	306.5	300.2

Valuation hierarchy

The group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities where prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient frequency to provide ongoing pricing information;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ("unobservable inputs").

Investments classified as Level 1 predominantly comprise UK government securities and listed equity shares.

Investments classified as Level 2 predominantly comprise investment grade corporate bonds, less liquid listed equities and over the counter derivatives.

The Notes continued

29. Financial risk management continued

Investments classified as Level 3 predominantly comprise investments in unlisted equity shares including an entity offering post trade services in securities, a legacy investment property fund and the group's residual shareholding in a derivatives market maker. The valuations of these investments are determined using generally accepted valuation techniques including discounted cash flow models and net asset values. The group believes that there is no reasonably possible change to the inputs used in the valuation of these positions which would have a material effect on the group's consolidated income statement.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy at 31 July 2015 and 2014.

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2015				
Assets				
Debt securities:				
Long positions in debt securities held for trading	12.6	1.5	–	14.1
Gilts classified as available for sale	20.1	–	–	20.1
Equity shares:				
Held for trading	31.1	–	–	31.1
Fair value through profit or loss	–	0.1	–	0.1
Available for sale	–	–	10.0	10.0
Derivative financial instruments	–	19.7	–	19.7
	63.8	21.3	10.0	95.1
Liabilities				
Short positions held for trading:				
Debt securities	11.3	2.4	–	13.7
Equity shares	14.1	–	–	14.1
Derivative financial instruments	–	7.1	–	7.1
	25.4	9.5	–	34.9
At 31 July 2014				
Assets				
Debt securities:				
Long positions in debt securities held for trading	45.9	2.7	–	48.6
Gilts classified as available for sale	45.6	–	–	45.6
Equity shares:				
Held for trading	56.5	–	–	56.5
Fair value through profit or loss	–	–	0.1	0.1
Available for sale	–	–	19.5	19.5
Derivative financial instruments	0.4	27.4	–	27.8
	148.4	30.1	19.6	198.1
Liabilities				
Short positions held for trading:				
Debt securities	31.1	3.2	–	34.3
Equity shares	15.6	–	–	15.6
Derivative financial instruments	–	19.5	–	19.5
	46.7	22.7	–	69.4

There were no significant transfers between Level 1, 2 and 3 in 2015 and 2014.

Movements in financial assets categorised as Level 3 were:

	Equity shares	
	Available for sale £ million	Fair value through profit/(loss) £ million
At 1 August 2013	27.1	0.6
Total gains recognised in the consolidated income statement	–	–
Total gains recognised in other comprehensive income	0.5	–
Purchases and issues	0.1	–
Sales and settlements	(8.2)	(0.5)
Transfers out	–	–
At 31 July 2014	19.5	0.1
Total losses recognised in the consolidated income statement	(0.9)	–
Total losses recognised in other comprehensive income	(0.5)	–
Purchases and issues	–	–
Sales and settlements	(8.1)	–
Transfers out	–	(0.1)
At 31 July 2015	10.0	–

The losses recognised in the consolidated income statement relating to instruments held at the year end amounted to £0.9 million (2014: £nil).

(c) Credit risk

Credit risk is the risk of a reduction in earnings and/or value, as a result of the failure of a counterparty or associated party with whom the group has contracted to meet its obligations in a timely manner and arises mainly from the lending and treasury activities of the Banking division.

The group's lending activities are spread across asset classes, are generally short-term in nature with low average loan size in order to control concentration risk in the loan book and associated collateral. In addition the group applies consistent and prudent lending criteria mitigating credit risk.

The Banking division monitors the credit quality of the counterparties with whom the group places deposits, enters into derivative contracts or whose debt securities are held against established limits. Whilst these amounts may be material, the counterparties are all regulated institutions with high credit ratings assigned by international credit rating agencies and fall within the large exposure limits set by the regulatory requirements.

Credit risk in the Securities division is limited as Winterflood trade in the cash markets with regulated counterparties on a delivery versus payment basis such that any credit exposure is limited to price movements in the underlying securities. Counterparty exposure and settlement failure monitoring controls are in place.

The Notes continued

29. Financial risk management continued

Maximum exposure to credit risk

The table below presents the group's maximum exposure to credit risk, before taking account of any collateral and credit risk mitigation, arising from its on balance sheet and off balance sheet financial instruments at 31 July 2015. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	31 July 2015 £ million	31 July 2014 £ million
On balance sheet		
Cash and balances at central banks	1,038.0	1,171.8
Settlement balances	398.3	465.8
Loans and advances to banks	84.6	87.4
Loans and advances to customers	5,737.8	5,289.7
Debt securities	149.5	94.2
Loans to money brokers against stock advanced	38.4	63.9
Derivative financial instruments	19.7	27.8
Other financial assets	36.5	50.5
	7,502.8	7,251.1
Off balance sheet		
Undrawn commitments	1,209.6	1,263.1
	8,712.4	8,514.2

Assets pledged and received as collateral

The group pledges assets for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are customary to standard securitised borrowing contracts.

The group has securitised without recourse and restrictions £1,164.8 million (31 July 2014: £1,134.1 million) of its insurance premium and motor loan receivables in return for debt securities in issue of £847.7 million (31 July 2014: £848.6 million). As the group has retained exposure to substantially all the credit risk and rewards of the residual benefit of the underlying assets it continues to recognise these assets in loans and advances to customers in its consolidated balance sheet.

In November 2014 the group accessed the Funding for Lending Scheme which enables it to borrow highly liquid UK Treasury Bills from the Bank of England in exchange for eligible collateral. At 31 July 2015, asset finance loan receivables of £705.6 million were positioned. The term of these transactions is four years from the date of drawdown. The group also had repurchase agreements whereby £375.0 million Treasury Bills have been drawn and lent in exchange for cash included within loans and overdrafts from banks. The Treasury Bills are not recorded on the group's consolidated balance sheet as ownership remains with the Bank of England. The risk and rewards of the loans and advances to customers remains with the group and continue to be recognised in the consolidated balance sheet.

Loans to money brokers against stock advanced of £38.4 million (31 July 2014: £63.9 million) is the cash collateral provided to these institutions for stock borrowing by Winterflood. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount payable.

The majority of loans and advances to customers are secured against specific assets. The security will correspond to the type of lending as detailed in the segmental loan book analysis on page 23 of the Strategic Report. Consistent and prudent lending criteria are applied across the whole loan book with emphasis on the quality of the security provided.

Financial assets: Loans and advances to customers

Credit risk management and monitoring

The overall credit risk appetite is set by the group board. The monitoring of credit policy is the responsibility of the Banking division's risk and compliance committees. All large loans are subject to approval by the Banking division's Credit Committees. Retail, Commercial and Property each use credit underwriting and monitoring measures appropriate to the diverse and specialised nature of their lending.

The Banking division has a dual approach to mitigating credit risk by:

- Lending on a secured basis with emphasis on both the customers' ability to repay and the quality of the underlying security to minimise any loss should the customer not be able to repay; and
- Where the security collateralising a loan is less tangible, or in cases of higher loan to valuation ("LTVs"), greater scrutiny is applied both analytically and in terms of escalation of sanctioning authority.

The Banking division's collections and recoveries processes are designed to provide a fair, consistent and effective operation for arrears management. The Banking division seeks to engage in early communication with borrowers experiencing difficulty in meeting their repayments, to obtain their commitment to maintaining or re-establishing a regular payment plan.

The Banking division maintains a forbearance policy to support customers in financial difficulty and ensures the necessary processes and policies are in place to enable consistently fair treatment of each customer. At the same time, the Banking division ensures these processes and policies do not restrict the ability to manage customers based on their individual circumstances. This includes considering whether it is appropriate to change the terms and conditions of a loan, e.g. by extending its term, changing the type of loan, deferring interest or by capitalising arrears to assist a customer in financial difficulties. The Bank seeks to ensure that any forbearance results in a fair outcome for the customer and will not repossess an asset unless all other reasonable attempts to resolve the position have failed. The gross carrying amount of exposures with forbearance measures was £81.6 million at 31 July 2015.

Retail is predominantly high volume secured lending with a small average loan size. Credit issues are identified early via predominantly automated tracking processes. Remedial actions are implemented promptly to restore customers to a performing status or recovery methods are applied to minimise potential loss.

Commercial is a combination of several niche lending businesses with a diverse mix of loans in terms of assets financed, and average loan size and LTV percentage. Credit quality is predominately assessed on an individual loan by loan basis. Recovery activity is executed promptly by experts in the specialised assets. This approach allows remedial action to be implemented at the appropriate time to minimise potential loss.

Property is a portfolio of higher value, low volume lending with credit quality assessed on an individual loan by loan basis. Loans are continually monitored to determine whether they are performing satisfactorily. Performing loans with elevated levels of credit risk may be placed on watch lists depending on the perceived severity of the credit risk.

Much of the Banking division's lending is short term and average loan size is small with the result that individual loans have little capacity to materially impact the group's earnings.

Credit risk reporting

Loans and advances to customers, as disclosed in note 11, are analysed between the following categories for credit risk reporting:

(i) Neither past due nor impaired

These loans and advances to customers reflect the application of consistent and conservative lending criteria on inception and the quality and level of security held. The contractual repayments are monitored to ensure that classification as neither past due nor impaired remains appropriate and also demonstrates the short-term nature of the lending, with £3.1 billion (2014: £2.9 billion) having a contractual maturity of less than 12 months.

The following table shows the ageing of loans and advances to customers split by credit assessment method which are neither past due nor impaired.

	31 July 2015 Loans and advances to customers			31 July 2014 Loans and advances to customers		
	Individually assessed £ million	Collectively assessed £ million	Total £ million	Individually assessed £ million	Collectively assessed £ million	Total £ million
Within one month	512.0	269.4	781.4	389.9	254.0	643.9
Between one and three months	250.6	385.3	635.9	301.8	408.8	710.6
Between three months and one year	729.6	960.2	1,689.8	699.6	865.7	1,565.3
Over one year	642.4	1,660.4	2,302.8	536.6	1,514.4	2,051.0
	2,134.6	3,275.3	5,409.9	1,927.9	3,042.9	4,970.8

The Notes continued

29. Financial risk management continued

(ii) Past due but not impaired

Loans and advances to customers are classified as past due but not impaired when the customer has failed to make a payment when contractually due but there is no evidence of impairment. This includes loans which are individually assessed for impairment but where the value of security is sufficient to meet the required repayments. This also includes loans to customers which are past due for technical reasons such as delays in payment processing or rescheduling of payment terms.

The following table shows the ageing of loans and advances to customers split by credit assessment method which are past due but for which no impairment provision has been raised.

	31 July 2015 Loans and advances to customers			31 July 2014 Loans and advances to customers		
	Individually assessed £ million	Collectively assessed £ million	Total £ million	Individually assessed £ million	Collectively assessed £ million	Total £ million
Within one month	31.1	14.7	45.8	43.3	15.6	58.9
Between one and three months	61.9	4.9	66.8	65.4	7.7	73.1
Between three months and one year	41.9	24.7	66.6	17.3	18.7	36.0
Over one year	13.9	28.6	42.5	8.2	31.1	39.3
	148.8	72.9	221.7	134.2	73.1	207.3

(iii) Impaired

The factors considered in determining whether assets are impaired are outlined in the accounting policies in note 1(j). Impaired loans and advances to customers are analysed according to whether the impairment provisions are individually or collectively assessed.

Individually assessed provisions are determined on a case by case basis, taking into account the financial condition of the customer and an estimate of potential recovery from the realisation of security. Typically this methodology is applied by the Property business and by the invoice finance business within Commercial.

Collectively assessed provisions are considered on a portfolio basis, to reflect the homogeneous nature of the assets. A percentage of the portfolio is impaired by evaluating the ageing of missed payments combined with the historical recovery rates for that particular portfolio as discussed in note 2(a). Typically this methodology is applied by the Retail businesses and the asset finance business within Commercial.

The gross impaired loans are quoted without taking account of any collateral or security held, which could reduce the potential loss. The application of conservative loan to value ratios on inception and the emphasis on the quality of the security provided are reflected in the low provision to gross impaired balance ratio ("coverage ratio") of 35% (2014: 30%).

The following table shows gross impaired loans and advances to customers and the provision thereon split by assessment method.

	31 July 2015 Loans and advances to customers			31 July 2014 Loans and advances to customers		
	Individually assessed £ million	Collectively assessed £ million	Total £ million	Individually assessed £ million	Collectively assessed £ million	Total £ million
Gross impaired loans	69.7	92.6	162.3	89.6	70.3	159.9
Provisions	(34.7)	(21.4)	(56.1)	(32.2)	(16.1)	(48.3)
Net impaired loans	35.0	71.2	106.2	57.4	54.2	111.6

The amount of interest income accrued on impaired loans and advances to customers was £14.6 million (31 July 2014: £13.4 million).

The group holds collateral against loans and advances to customers in the form of residential and commercial property, charges over business assets such as equipment, inventory and accounts receivable. Analysis by LTV ratio is provided below based on the group's lending facilities to customers where the exposure at origination exceeded £1.0 million, excluding Property facilities written pre 2009. Lending below this threshold has greater homogeneity predominately in the motor and premium finance businesses with typical LTV ratio between 80% to 90%. The value of collateral used in determining the LTV ratio is based upon data captured at loan origination, or where available, a more recent updated valuation.

Gross loans and advances to customers where exposure at origination exceeded £1.0 million:

	Asset finance £ million	Invoice finance £ million	Property £ million	Total £ million
LTV				
Less than 70%	59.3	149.8	1,002.6	1,211.7
70% to 90%	75.5	126.9	20.3	222.7
Greater than 90%	88.2	2.3	-	90.5
At 31 July 2015	223.0	279.0	1,022.9	1,524.9

	Asset finance £ million	Invoice finance £ million	Property £ million	Total £ million
LTV				
Less than 70%	45.9	156.5	850.3	1,052.7
70% to 90%	44.5	102.4	18.2	165.1
Greater than 90%	54.5	5.1	4.0	63.6
At 31 July 2014	144.9	264.0	872.5	1,281.4

Financial assets: Settlement balances

Credit risk management and monitoring

The credit risk presented by settlement balances in the Securities division is limited as such balances represent delivery versus payment transactions where delivery of securities occurs simultaneously with payment. The credit risk is therefore limited to the change in market price of a security between trade date and settlement date and not the absolute value of the trade. Winterflood is a market-maker and trades on a principal only basis with regulated counterparties including stockbrokers, wealth managers, institutions and hedge funds who are either authorised and regulated by the PRA and/or FCA or equivalent regulator in the respective country.

Credit risk reporting

Settlement balances are classified as neither past due nor impaired when the respective trades have not yet reached their settlement date. Settlement balances are classified as past due but not impaired when trades fail to be settled on their contractual settlement date. The credit risk presented by settlement balances which are past due is mitigated by the delivery versus payment mechanism, as well as by Winterflood trading only with regulated counterparties. Counterparty exposure and settlement failure monitoring controls are in place as part of an overall risk management framework and settlement balances past due are actively managed.

The following table shows the ageing of settlement balances:

	31 July 2015			31 July 2014		
	Neither past due nor impaired £ million	Past due but not impaired £ million	Total £ million	Neither past due nor impaired £ million	Past due but not impaired £ million	Total £ million
Within one month	378.9	16.2	395.1	445.3	14.7	460.0
Between one and three months	-	1.0	1.0	-	1.9	1.9
Between three months and one year	-	0.9	0.9	-	2.9	2.9
Over one year	-	1.3	1.3	-	1.0	1.0
	378.9	19.4	398.3	445.3	20.5	465.8

The Notes continued

29. Financial risk management continued

(d) Market risk

Market risk is the risk that a change in the value of an underlying market variable, such as interest or foreign exchange rates, will give rise to an adverse movement in the value of the group's assets and arises primarily in the Securities division.

Interest rate risk

The group's exposure to interest rate fluctuations relates primarily to the returns from its capital and reserves. The group's policy is to match repricing characteristics of assets and liabilities naturally where possible or by using interest rate swaps where necessary to secure the margin on its loans and advances to customers. These interest rate swaps are disclosed in note 14.

The sensitivities below are based upon reasonably possible changes in interest rate scenarios, including parallel shifts in the yield curve. At 31 July 2015 changes in interest rates compared to actual rates would increase/(decrease) the group's annual net interest income by the following amounts:

	2015 £ million	2014 £ million
1.0% increase	4.3	4.2
0.5% decrease	(2.2)	(2.1)

At 31 July 2015 changes in interest rates compared to actual rates would increase/(decrease) the group's equity by the following amounts:

	2015 £ million	2014 £ million
1.0% increase	11.3	12.6
0.5% decrease	(5.7)	(6.3)

Foreign currency risk

The group has a limited number of currency investments and has chosen not to hedge these exposures. These investments are predominantly in euros. Foreign exchange differences which arise from the translation of these operations are recognised directly in equity.

At 31 July 2015 a change in the euro exchange rate would decrease the group's equity by the following amounts:

	2015 £ million	2014 £ million
20% strengthening of sterling against the euro	(5.6)	(5.3)

The group has additional material currency assets and liabilities primarily as a result of treasury operations in the Banking division. These assets and liabilities are matched by currency, using exchange rate derivative contracts where necessary. Details of these contracts are disclosed in note 14. Other potential group exposures arise from share trading settled in foreign currency in the Securities division, and foreign currency equity investments. The group has policies and processes in place to manage foreign currency risk, and as such the impact of any reasonably expected exchange rate fluctuations would not be material.

Market price risks

Trading financial instruments: Equity shares and debt securities

The group's trading activities relate to Winterflood. The following table shows the group's trading book exposure to market price risk.

	Highest exposure £ million	Lowest exposure £ million	Average exposure £ million	Exposure at 31 July £ million
For the year ended 31 July 2015¹				
Equity shares				
Long	53.7	27.7	37.1	31.1
Short	44.0	9.5	16.2	14.1
			20.9	17.0
Debt securities				
Long	50.2	14.0	25.4	14.1
Short	56.2	2.9	27.5	13.7
			(2.1)	0.4

1 2015 exposures exclude Seydler which was disposed of in January 2015.

	Highest exposure £ million	Lowest exposure £ million	Average exposure £ million	Exposure at 31 July £ million
For the year ended 31 July 2014				
Equity shares				
Long	70.4	37.1	53.5	56.5
Short	34.3	11.0	17.6	15.6
			35.9	40.9
Debt securities				
Long	91.3	27.4	47.6	48.6
Short	100.3	21.8	55.1	34.3
			(7.5)	14.3

With respect to the long and short positions on debt securities £nil and £nil (2014: £2.7 million and £5.1 million) were due to mature within one year respectively.

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.

Based upon the trading book exposure given above, a hypothetical fall of 10% in market prices would result in a £1.7 million decrease (2014: £4.1 million decrease) in the group's income and net assets on the equity trading book and a £nil impact (2014: £1.4 million decrease) on the debt securities trading book. However, the group's trading activity is mainly market-making where positions are managed throughout the day on a continuous basis. Accordingly the sensitivity referred to above is purely hypothetical.

Non-trading financial instruments

Net gains and losses on non-trading financial instruments are disclosed in notes 12 and 13.

(e) Liquidity risk

Liquidity risk is the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price and arises mainly in the Banking division.

The group has a prudent liquidity position with total available funding at 31 July 2015 of £7.5 billion (31 July 2014: £7.1 billion). This funding is significantly in excess of its loans and advances to customers at 31 July 2015 of £5.7 billion (31 July 2014: £5.3 billion). The group has a large portfolio of high quality liquid assets principally including cash placed on deposit with the Bank of England and gilts. The group measures liquidity risk with a variety of measures including regular stress testing and cash flow monitoring, and reporting to both the group and divisional boards.

The following table analyses the contractual maturities of the group's on-balance sheet financial liabilities on an undiscounted cash flow basis.

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2015							
Settlement balances	–	376.5	–	–	–	–	376.5
Deposits by banks	11.5	1.0	17.6	4.5	0.5	–	35.1
Deposits by customers	149.9	832.8	954.8	1,431.1	1,191.8	–	4,560.4
Loans and overdrafts from banks	8.6	99.4	124.1	0.3	152.6	–	385.0
Debt securities in issue	–	10.1	9.3	19.3	1,124.2	311.6	1,474.5
Loans from money brokers against stock advanced	–	–	–	–	–	–	–
Subordinated loan capital	–	1.7	–	1.7	13.6	65.4	82.4
Derivative financial instruments	–	7.7	1.8	4.0	25.4	5.9	44.8
Other financial liabilities	32.9	64.9	2.7	1.3	1.8	0.2	103.8
Total	202.9	1,394.1	1,110.3	1,462.2	2,509.9	383.1	7,062.5

The Notes continued

29. Financial risk management continued

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2014							
Settlement balances	0.4	443.7	–	–	–	–	444.1
Deposits by banks	21.1	20.0	6.1	2.6	–	–	49.8
Deposits by customers	165.4	1,263.5	370.2	1,203.6	1,601.0	–	4,603.7
Loans and overdrafts from banks	4.4	5.0	–	–	–	–	9.4
Debt securities in issue	–	10.6	10.0	369.3	784.1	323.4	1,497.4
Loans from money brokers against stock advanced	28.4	–	–	–	–	–	28.4
Subordinated loan capital	–	2.8	–	2.8	22.5	103.3	131.4
Derivative financial instruments	–	13.3	6.3	10.9	29.6	13.6	73.7
Other financial liabilities	16.2	97.7	1.0	0.3	0.2	–	115.4
Total	235.9	1,856.6	393.6	1,589.5	2,437.4	440.3	6,953.3

Derivative financial instruments in the table above includes net currency swaps. The following table shows the currency swaps on a gross basis:

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2015	–	174.3	1.8	4.0	25.4	5.9	211.4
At 31 July 2014	13.8	210.3	6.4	47.9	29.6	13.6	321.6

30. Post balance sheet event

On 14 September 2015, the group agreed the sale of its corporate advice and investment management activities, which are part of the Asset Management division, to JLT Benefit Solutions Ltd. The activities disposed of represented net assets of £0.3 million and operating profit before tax of £0.7 million for the year ended 31 July 2015. The timing for completion is subject to the satisfaction of customary conditions.

31. Investments in subsidiaries

In accordance with section 409 of the Companies Act 2006 the following is a list of the group's subsidiaries at 31 July 2015 which are all wholly-owned and incorporated in the UK unless otherwise stated.

Group

Close Brothers Holdings Limited
Close Derivatives Limited
Close Securities (Germany) Limited
Close Securities Holdings Limited

Banking

Air & General Finance Limited
Armed Services Finance Limited
Brook Funding (No. 1) Limited¹
CBM Holdings Limited
CLL I Limited
Close Asset Finance Limited
Close Brewery Rentals Limited
Close Brothers Asset Finance GmbH (Germany)
Close Brothers Factoring GmbH (Germany)
Close Brothers Finance plc
Close Brothers Limited
Close Brothers Military Services Limited
Close Business Finance Limited
Close Credit Management (Holdings) Limited
Close Finance (CI) Limited (Jersey)
Close International Bank Holdings Limited (Guernsey)
Close Invoice Finance Limited
Close Leasing Limited
Close Motor Finance Limited
Close PF Funding I Limited¹
Close Trust Nominees Limited
Colomberie Finance Limited
Commercial Acceptances Limited
Commercial Finance Credit Limited
Commercial Vehicle Solutions Limited

Banking continued

Ecasks Limited
Kingston Asset Finance Limited
Kingston Asset Leasing Limited
Metropolitan Factors Limited
Micgate Holdings (UK) Limited
Rodney Road Car Park Limited
Surrey Asset Finance Limited

Securities

W.S. (Nominees) Limited
Winterflood Client Nominees Limited
Winterflood Gilts Limited
Winterflood Securities Holdings Limited
Winterflood Securities Limited

Asset Management

Cavanagh Financial Management Limited
Chartwell Private Client Limited
Close Asset Management Holdings Limited
Close Asset Management Limited
Close Asset Management (UK) Limited
Close Brothers Properties Guernsey Limited (Guernsey)
Close International Asset Management Holdings Limited (Guernsey)
Close Investments Limited
Close Portfolio Management Limited
Close Properties Jersey Limited (Jersey)
CPRM Limited (70%)
Lion Nominees Limited
Mackay Stewart and Brown Limited
OLIM Limited
Place Campbell Close Brothers Limited (50% joint venture)

¹ The share capital of these securitisation vehicles is not owned by the group, but these vehicles are included in the consolidated financial statements as they are controlled by the group.

Investor Relations

Financial calendar (provisional)

Event	Date
Annual General Meeting	19 November 2015
First quarter trading update	November 2015
Final dividend payment	24 November 2015
Country-by-country reporting ¹	31 December 2015
Pre-close trading update	January 2016
Half year end	31 January 2016
Interim results	March 2016
Third quarter trading update	May 2016
Pre-close trading update	July 2016
Financial year end	31 July 2016
Preliminary results	September 2016

¹ In accordance with the Capital Requirements (country-by-country) Regulations 2013, the group will publish additional country-by-country information in respect of the year ending 31 July 2015, on or before 31 December 2015. This information will be available on our website.

The financial calendar is updated on a regular basis throughout the year. Please refer to our website www.closebrothers.com for up to date details.

Cautionary Statement

Certain statements included or incorporated by reference within this report may constitute “forward-looking statements” in respect of the group’s operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this report should be construed as a profit forecast. This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares and other securities of the company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this report reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this report shall be governed by English Law. Nothing in this report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Auditor

Deloitte LLP

Solicitor

Slaughter and May

Corporate Brokers

J.P. Morgan Cazenove
UBS Investment Bank

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder helpline: 0871 664 0300 (Calls cost 12p per minute plus your phone company's access charge)
From overseas: +44 (0)20 8639 3399
Lines are open from 9.00 am to 5.30 pm Monday to Friday, excluding UK public holidays
Email: shareholderenquiries@capita.co.uk
Website: www.capitashareportal.com

Registered Office

Close Brothers Group plc
10 Crown Place
London EC2A 4FT

Telephone: +44 (0)20 7655 3100
Email: enquiries@closebrothers.com
Website: www.closebrothers.com

Company No. 520241



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Close Brothers Group plc
10 Crown Place
London EC2A 4FT
Tel: +44 (0)20 7655 3100

www.closebrothers.com