# Independent Auditors' Report to the Members of Close Brothers Group plc

## Report on the audit of the financial statements

### Opinion

In our opinion:

- Close Brothers Group plc's group financial statements and parent company financial statements (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 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheets as at 31 July 2023; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

### Our Audit Approach

#### Overview

#### Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).
- We performed audit procedures over components considered financially significant in the context of the group (full scope audit) or in the context of individual primary statement account balances (audit of specific account balances).
- We performed other procedures including analytical review procedures to mitigate the risk of material misstatement in the residual components.

#### Key audit matters

- Determination of expected credit losses on loans and advances to customers (group)
- Impairment assessment of goodwill held in relation to Winterflood Securities (group)
- Impairment assessment of investment in subsidiaries (parent company)

#### Materiality

- Overall group materiality: £11.6m (2022: £11.6m) based on 5% of average adjusted profit before tax of the past 3 years (2022: 5% of profit before tax).
- Overall parent company materiality: £12.8m (2022: £11.1m) based on 1% of Total Assets.
- Performance materiality: £8.7m (2022: £8.7m) (group) and £9.6m (2022: £8.3m) (parent company).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impairment assessment of goodwill held in relation to Winterflood Securities is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Determination of expected credit losses ("ECL") on loans and advances to customers (group)**<br><br>As at 31 July 2023, the Group has gross loans and advances to customers of £9,635.6m, with ECL provisions of £380.6m held against them.<br><br>The determination of ECL provisions is inherently judgemental and involves setting assumptions using forward looking information reflecting the Group's view of potential future economic events. This can give rise to increased estimation uncertainty.<br><br>There continues to be uncertainty in the determination of ECL provisions, including assessing how a high inflation environment coupled with high interest rates, falling real estate values and other economic developments may impact the credit performance of the lending book.<br><br>The Group has initiated formal legal action against one of the After the Event ("ATE") insurers in relation to the failed cases of the Novitas Loans business. This has resulted in a significant change to the model methodology in the current year however this remains subjective and the ECL is sensitive to potential outcomes and estimated time to recovery.<br><br>Models are used to collectively assess and determine ECL allowances on loans and advances. We consider the following elements of the determination of modelled ECL to be significant:<br><br>• The application of forward-looking economic scenarios used in the models and the weightings assigned to those scenarios;<br>• The sufficiency and completeness of post-model adjustments that are recorded to take into account economic risks not captured by the models;<br>• In respect of the Novitas portfolio, the appropriateness of assumptions used in the determination of the recoveries from insurers and the estimated time to recover; and<br>• The Loss Given Default ("LGD") component for the Asset Finance business, given that the LGD model was developed over a period with more benign macroeconomic conditions than the expected conditions over the forecast period. | With the support of our credit risk modelling specialists and economics experts, we performed the following procedures:<br><br>For collectively assessed ECL provisions:<br><br>• We understood and critically assessed the appropriateness of the ECL accounting policy and model methodologies used by management;<br>• We independently replicated ECL models for the Asset Finance and Motor Finance businesses, using management's model methodology and assumptions;<br>• We tested model performance through review and replication of key model monitoring tests. We assessed the performance of key model elements, including LGD, and considered if they indicated that the models continued to perform appropriately or if any post-model adjustments were required;<br>• We critically assessed the reasonableness of management's selected economic scenarios and associated scenario weightings, giving specific consideration to current and future economic uncertainty. We assessed their reasonableness against known or likely economic events including relating to UK economic uncertainty;<br>• We compared the severity and magnitude of the assumptions used in the base scenario to external forecasts and historic trends;<br>• Based on our knowledge and understanding of the limitations in management's models and emerging industry risks, we evaluated the completeness and sufficiency of the post model adjustments proposed by management;<br>• We evaluated the LGD model performance for the Asset Finance business and the sufficiency of the extent to which LGD is impacted by macroeconomic factors; and<br>• We evaluated management's model used to derive the Novitas Loans ECL and critically assessed the assumptions for time to recover and recovery rate. We met with management's external legal counsel to corroborate assumptions. |

# Independent Auditors' Report to the Members of Close Brothers Group plc continued

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ECL provisions on individually large exposures to counterparties who are in default at the reporting date, are estimated on an individual basis. We consider that only the individually assessed loans of the Property business constitute a significant risk in the current year. The risk relates to the assumptions made on the amount and timing of the expected future cash flows under multiple, probability weighted scenarios.<br><br>Relevant references:<br><br>• Note 2 - Critical accounting estimates and judgements; and<br>• Note 10 - Loans and advances to customers. | Individually assessed provisions:<br><br>For a sample of individually assessed loans in default and related ECL allowances in the Property business, we:<br><br>• Evaluated the basis on which the allowances were determined and the evidence supporting the analysis performed by management;<br>• Independently challenged whether the key assumptions used, such as the recovery strategies, collateral values and ranges of potential outcomes were appropriate given the borrower's circumstances;<br>• Re-performed management's provision calculation, critically assessing key inputs including expected future cash flows, discount rates, valuations of collateral held and the weightings applied to scenario outcomes; and<br>• Considered the extent to which the exposure is impacted by economic conditions including high inflation and interest rate levels and whether these factors had been appropriately reflected in the ECL provision.<br><br>We tested and evaluated the reasonableness of relevant disclosures made in the financial statements.<br><br>Based on the evidence obtained, we concluded that the methodologies, modelled assumptions and management judgements used in the determination of collective and individually assessed expected credit losses to be appropriate. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment assessment of goodwill held in relation to Winterflood Securities (group)**<br><br>The Group has a total goodwill balance of £94.6 million, of which £23.3 million relates to the Winterflood Securities ("Winterflood").<br><br>Winterflood is considered a Cash Generating Unit ("CGU") under IAS36 Impairment of Assets which requires an annual impairment assessment of the goodwill associated with each CGU.<br><br>Management performs this assessment by comparing the present value of the future cash flows expected to the generated by the business, with the current carrying value of the CGU (including the goodwill associated with the CGU).<br><br>Winterfloods' financial performance is largely driven by the performance of the equity markets in which it operates and levels of trading activity. Poor market conditions have negatively impacted Winterflood's financial performance in the period, and there is a heightened uncertainty as to the timing and extent of the recovery of the performance of relevant equity markets and trading activity.<br><br>That uncertainty has increased the level of judgement in management's determination of the cash flows projected for the next five years used in the annual impairment assessment of the goodwill held in relation to Winterflood.<br><br>Relevant disclosure references:<br><br>• Note 2 - Critical accounting estimates and judgements; and<br>• Note 14 - Intangible assets. | With the support of our valuation experts, we performed the following audit procedures:<br><br>• We reviewed management's five year cash flow forecasts and critically assessed the reasonableness of underlying assumptions based on our understanding of the business;<br>• We performed a look-back analysis comparing the cash flow projections made in prior years to the actual results achieved to assess the accuracy of the budgeting and forecasting process. Where the projections differed materially to the actual results, we inquired with management and assessed whether the explanations were reasonable;<br>• We evaluated management's forecast cash flows from trading activity, including the use of historical daily averages of trading volumes and related variable costs;<br>• In assessing the reasonableness of management assumptions on the timing and the extent of market recovery, we researched the expectation of future market volumes (with input from equity market research and economic experts), and developed alternative scenarios to assess the impact of a range of outcomes on the forecast trading revenues;<br>• We assessed the reasonableness of the non-trading revenue; and<br>• Compared actual post year-end performance to that in the forecasts.<br><br>In addition, we have performed the following tests of details, amongst others:<br><br>• We obtained evidence of Board approval of the three year plan and agreed these plans were appropriately reflected in the cash flow forecasts;<br>• With support of our internal experts, we evaluated the discount rate range determined by management's expert;<br>• We verified the mathematical accuracy of the goodwill impairment assessment, including the discounted cash flow projections;<br>• We compared the long term growth rate used to the UK long term inflation rate; and<br>• We verified the accounting policy and the adequacy of the information disclosed in the consolidated annual accounts.<br><br>Based on the procedures performed we were satisfied with management's conclusion that the goodwill is not impaired. |
| **Impairment assessment of investment in subsidiaries (parent company)**<br><br>The parent company holds an investment in a subsidiary of £287.0m.<br><br>Identifying and measuring any impairment of the investment is subjective.<br><br>Relevant disclosure references:<br><br>• Note 28 - Investments in subsidiaries | We tested management's evaluation of impairment and are satisfied that the investment in the subsidiary is not impaired. |

# Independent Auditors' Report to the Members of Close Brothers Group plc continued

## How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

We performed a risk assessment, giving consideration to relevant external and internal factors, including climate change, economic risks, relevant accounting and regulatory developments, as well as the group's strategy. We also considered our knowledge and experience obtained in prior year audits. We continually assessed the risks and updated the scope of our audit where necessary. As part of considering the impact of climate change in our risk assessment, we evaluated management's assessment of the impact of climate risk, which is set out in the Sustainability Report, including their conclusion that there is no material impact on the financial statements. In particular, we considered management's assessment of the impact on ECL on loans and advances to customers, being the financial statement line item we determined to be most likely to be impacted by climate risk. Management's assessment gave consideration to a number of matters, including the exposure of underlying portfolios to transition risk. Management's conclusion that there is no material impact is consistent with our audit findings.

The group is structured into three primary components being the Close Brothers Limited Group (also referred to as the Bank), Winterflood Securities and Asset Management. The consolidated financial statements are a consolidation of these components. The Bank is a subgroup of Retail, Commercial and Property business segments.

In establishing the overall approach to the group audit, we determined the type of work that is required to be performed over the components by us, as the group engagement team, or auditors within the PwC network of firms operating under our instruction ('component auditors'). Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. This included regular communication with the component auditors throughout the audit, the issuance of instructions, a review of the results of their work on the key audit matters and formal clearance meetings. Any components which were considered individually financially significant in the context of the group's consolidated financial statements (defined as components which represent more than or equal to 15% of the total profit before tax of the consolidated group) were considered full scope components. We considered the individual financial significance of other components in relation to primary statement account balances. Our scoping also considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error). For our group audit, the Bank is the only financially significant component. Specific account balances and disclosures were scoped in for Winterflood Securities and Asset Management based on their financial significance and risk. Certain account balances were audited centrally by the group engagement team mainly where the processes are centralised. The remaining balances and components, in our judgement, did not present a reasonable possibility of a risk of material misstatement either individually or in aggregate. We performed other procedures such as tests of information technology controls and group level analytical review procedures.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Financial statements - group | Financial statements - parent company |
|---|---|---|
| **Overall materiality** | £11.6m (2022: £11.6m). | £12.8m (2022: £11.1m). |
| **How we determined it** | 5% of average adjusted profit before tax of the past 3 years (2022: 5% of profit before tax) | 1% of Total Assets. |
| **Rationale for benchmark applied** | Profit before tax (PBT) is a primary measure used by the shareholders in assessing the performance of the group and is a generally accepted benchmark for determining audit materiality. We have decided to use three-year average adjusted PBT to normalise the volatility in the profits. In performing this calculation, we adjusted the PBT to remove the impact of significant one off gains and losses in those periods, including adding back the £90m ECL charge related to Novitas in 2023. | We have selected total assets as an appropriate benchmark for company materiality, as it is an investment holding company. |

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £2.65 million and £10.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £8.7m (2022: £8.7m) for the group financial statements and £9.6m (2022: £8.3m) for the parent company financial statements.

In determining performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.5m (group audit) (2022: £0.5m) and £0.5m (parent company audit) (2022: £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

# Independent Auditors' Report to the Members of Close Brothers Group plc continued

## Conclusions Relating to Going Concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- A detailed risk assessment to identify factors that could impact the going concern basis of accounting, including both internal risk (i.e strategy execution) and external risk (i.e macroeconomic risk in the UK including cost of living and banking sector volatility);
- Understanding and evaluating the group's financial forecasts, liquidity and capital position over the going concern period, including consideration of whether the stress scenarios applied were appropriate for assessing going concern;
- Consideration of credit rating agency ratings and any actions by the agency; and
- Reading and evaluating the adequacy of the disclosures made in the financial statement in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, 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 conclusion is not a guarantee as to the group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

## Corporate Governance Statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

## Responsibilities for the Financial Statements and the Audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report to the Members of Close Brothers Group plc continued

### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of laws and regulations principally those determined by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, UK tax legislation and the Listing Rules of the FCA. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias in the application of judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the allowance for ECL;
- Identifying and testing any higher risk journal entries;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Reviewing key correspondence with the FCA and PRA.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Other required reporting

## Companies Act 2006 exception reporting

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

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

## Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 17 May 2017 to audit the financial statements for the year ended 31 July 2018 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 July 2018 to 31 July 2023.

# Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

**Heather Varley** (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

26 September 2023