The Notes

1. Significant Accounting Policies

(a) Reporting entity

Close Brothers Group plc ("the company"), a public limited company by shares incorporated and domiciled in the UK (England), together with its subsidiaries (collectively, "the group"), operates through five (2022: five) operating segments: Commercial, Retail, Property, Asset Management and Securities, and is primarily located within the UK.

(b) Basis of preparation

The audited consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IAS").

The company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Financial Instruments: Recognition and Measurement Reports) Regulations 2008 (SI 2008/410).

As permitted by FRS 102, the company has chosen to adopt IFRS 9 Financial Instruments where applicable and taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, share-based payments and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of the group. The company has also taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its company income statement and related notes.

Where relevant, the accounting policies of the company are the same as those of the group set out in this note except for (l) Leases. For the company, rental costs under operating leases are charged to the income statement in equal instalments over the period of the lease.

The consolidated and company financial statements have been prepared on a going concern basis and under the historical cost convention, except for financial assets and liabilities held at fair value through profit or loss and financial assets held at fair value through other comprehensive income.

The prior year company balance sheet has been restated to correct a misstatement relating to the maturity of the company's senior bond issuance and an associated intragroup transaction. An amount of £139.7 million has been transferred from 'Amounts owed by subsidiaries due after more than one year' to 'within one year', resulting in an increase in the 'within one year' balance to £590.1 million. In addition, an amount of £249.7 million has been transferred from 'Debt securities in issue falling due after more than one year' to 'within one year', resulting in an increase in the 'within one year' balance to £251.5 million.

(c) Accounting developments

Standards adopted during the year

The accounting policies applied this financial year are set out in this note and are consistent with those of the previous financial year.

Finance (No.2) Act 2023 was substantively enacted in June 2023, and introduced the Pillar Two global minimum tax rate of 15% and a UK domestic minimum top-up tax with effect from 1 January 2024. The group has adopted the IAS 12 exception from recognition and disclosure regarding the impact on deferred tax assets and liabilities arising from this legislation. The company has adopted the same exception under FRS 102.

Future accounting developments

IFRS 17 Insurance Contracts and minor amendments to IFRSs issued by the IASB are effective for the group from 1 August 2023. These changes are expected to have no or an immaterial impact on the group.

(d) Consolidation and investment in subsidiary

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.

The company's investment in its subsidiary is valued at cost less any accumulated impairment losses.

(e) 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 average rates of exchange at the date of the transaction and exchange differences arising are taken to the consolidated income statement.

The Notes continued

1. Significant Accounting Policies (continued)

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.

(f) 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 over the expected life of a financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. 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. Interest income is recognised on a contractual basis where it is not possible to reliably estimate the cash flows or expected life of a financial instrument.

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

(g) Adjusted measures

Adjusted measures exclude amortisation of intangible assets on acquisition. Amortisation of intangible assets on acquisition is excluded to present the performance of the group's acquired businesses consistent with its other businesses. Exceptional items are income and expense items that are material by size and/or nature and are non-recurring. The separate reporting of these items helps give an indication of the group's underlying performance.

(h) Financial assets and liabilities (excluding derivatives)

Classification and measurement

Financial assets are classified at initial recognition on the basis of the business model within which they are managed and their contractual cash flow characteristics. The classification categories are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Initial recognition is at fair value plus directly attributable transaction costs. Interest income is accounted for using the effective interest rate method.

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are classified at FVOCI. Directly attributable transaction costs are added to the initial fair value. Gains and losses are recognised in other comprehensive income, except for impairment gains and losses, until the financial asset is either sold or matures, at which time the cumulative gain or loss is recognised in the income statement. Impairment gains and losses are recognised in the income statement.

Financial assets are classified at FVTPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where they are designated at FVTPL to reduce an accounting mismatch. Financial assets at FVTPL are recognised at fair value. Transaction costs are not added to or deducted from the initial fair value, they are immediately recognised in profit or loss on initial recognition. Gains and losses that subsequently arise on changes in fair value are recognised in the income statement.

Financial liabilities are classified at initial recognition at amortised cost except for the following instruments which are classified at FVTPL: derivatives; financial liabilities held for trading; and financial liabilities designated at FVTPL to eliminate an accounting mismatch.

Financial liabilities at amortised cost are measured at fair value less directly attributable transaction costs on initial recognition. Interest expense is accounted for using the effective interest rate method. Financial liabilities at FVTPL are measured at fair value on initial recognition. Transaction costs are not added to or deducted from the initial fair value, they are immediately recognised in profit or loss on initial recognition. Subsequent changes in fair value are recognised in the income statement except for financial liabilities designated at FVTPL; changes in fair value attributable to changes in credit risk are recognised in other comprehensive income.

The fair values of quoted financial assets or financial liabilities in active markets are based on bid or offer 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 contractual rights to receive cash flows from the financial assets have expired or where the group has transferred the contractual rights to receive cash flows and transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Modifications

The terms or cash flows of a financial asset or liability may be modified due to renegotiation or otherwise. If the terms or cash flows are substantially different to the original, then the financial asset or liability is derecognised and a new financial asset or liability is recognised at fair value. If the terms or cash flows are not substantially different to the original, then the financial asset or liability carrying value is adjusted to reflect the present value of modified cash flows discounted at the original EIR. The adjustment is recognised within income on the income statement.

(i) Impairment of financial assets

Expected credit losses

In accordance with IFRS 9, expected credit losses ("ECL") are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at FVOCI, loan commitments and financial guarantee contracts. The impairment charge in the income statement includes the change in expected credit losses and fraud costs.

At initial recognition, financial assets are considered to be in Stage 1 and a provision is recognised for 12 months of expected credit losses. If a significant increase in credit risk since initial recognition occurs, these financial assets are considered to be in Stage 2 and a provision is made for the lifetime expected credit losses. As a backstop, all financial assets 30 days past due are considered to have experienced a significant increase in credit risk and are transferred to Stage 2.

A financial asset will remain classified as Stage 2 until the credit risk has improved and it can be returned to Stage 1 or until it deteriorates such that it meets the criteria to move to Stage 3.

Where a financial asset no longer represents a significant increase in credit risk since origination it can move from Stage 2 back to Stage 1. As a minimum this means that all payments must be up-to-date, the quantitative probability of default assessment trigger is no longer met, and the account is not evidencing qualitative assessment triggers.

When objective evidence exists that a financial asset is credit impaired, such as the occurrence of a credit default event or identification of an unlikeliness to pay indicator, the financial asset is considered to be in Stage 3. As a backstop, all financial assets 90 days or more past due are considered to be credit impaired and transferred to Stage 3.

Cure definitions are in operation where financial assets in Stage 3 can move back to Stage 2, subject to Stage 3 indicators no longer being in effect, and meeting the appropriate cure period.

In all circumstances loans and advances to customers are written off against the related provisions when there are no reasonable expectations of further recovery. This is typically following realisation of all associated collateral and available recovery actions against the customer. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

The calculation of expected credit losses for loans and advances to customers, either on a 12-month or lifetime basis, is based on the probability of default ("PD"), the exposure at default ("EAD") and the loss given default ("LGD"), and includes forward-looking macroeconomic information where appropriate. Further information on this calculation methodology can be found in the 'Use of estimates' section on pages 109 to 114 of the Risk Report.

The calculation of expected credit losses for some loan portfolios, receivables relating to operating lease assets and settlement balances is based on a simplified lifetime only expected credit loss approach. Under the simplified approach, stage classification represents management's internal assessment of credit risk.

Expected credit losses are assessed against actual loss experience via a series of provision adequacy reviews. These reviews also incorporate management judgement to ensure that our ECL coverage ratios remain appropriate.

(j) 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.

(k) 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 are recorded at the amount payable. Interest is paid on the loans.

The Notes continued

1. Significant Accounting Policies (continued)

(l) Leases

Lessor

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, which comprises the lease payments receivable and any unguaranteed residual value, discounted at its implicit interest rate. Finance charges on finance leases are taken to income in proportion to the net funds invested.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. 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.

Lessee

A lease liability and right of use asset are recognised on the balance sheet at the lease commencement date. The lease liability is measured at the present value of future lease payments. The discount rate is the rate implicit in the lease, or if that cannot be determined, the group's incremental borrowing rate appropriate for the right of use asset. The right of use asset is measured at cost, comprising the initial lease liability, payments made at or before the commencement date less lease incentives received, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease.

Lease payments are allocated between the liability and finance cost. The finance cost relating to the lease liability is charged to the consolidated income statement over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

(m) 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.

(n) Securitisation transactions

The group securitises its own financial assets via the sale of these assets to special purpose entities, which in turn issue securities to investors. All financial assets continue to be held on the group's consolidated balance sheet together with debt securities in issue recognised for the funding – see derecognition policy (h).

(o) 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.

(p) Derivatives and hedge accounting

On adoption of IFRS 9 Financial Instruments in 2018, the group elected to continue applying hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement.

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.

(q) 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 which are reviewed at least annually. 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.

(r) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment which are reviewed at least annually. 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 20 years
Motor vehicles	1 to 5 years

(s) 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.

(t) 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.

(u) Share-based payments to employees

The group operates three (2022: three) share-based award schemes: the Deferred Share Awards ("DSA") scheme, the Long Term Incentive Plan ("LTIP"), and the HMRC approved Save As You Earn ("SAYE") scheme.

The costs of the awards granted under the DSA scheme 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 costs of LTIP and SAYE are based on the fair value of awards on the date of grant. Fair values of share-based awards are determined using the Black-Scholes pricing model, with the exception of fair values for market-based performance conditions, which are determined using Monte Carlo simulation. 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 24 and in the Directors' Remuneration Report.

The Notes continued

1. Significant Accounting Policies (continued)

(v) 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 deemed remote.

(w) 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. Deferred tax liabilities are offset against deferred tax assets when there is both a legal right to set off and an intention to settle on a net basis.

(x) 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.

(y) Segmental 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.

2. Critical Accounting Judgements and Estimates

The reported results of the group are sensitive to the judgements, estimates and assumptions that underlie the application of its accounting policies and 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, estimates and assumptions that are reasonable.

The group's estimates and assumptions are based on historical experience and reasonable expectations of future events and are reviewed on an ongoing basis. Actual results in the future may differ from the amounts estimated due to the inherent uncertainty.

The group's critical accounting judgements, made in applying its accounting policies as described in note 1, and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment within the next financial year are set out below. There are no critical accounting judgements or key sources of estimation uncertainty relating to the company.

The impact of climate change on the group's judgements, estimates and assumptions has been considered in preparing these financial statements. While no material impact has been identified, climate risk continues to be monitored on an ongoing basis as set out in more detail on page 135 in the Risk Report.

Critical accounting judgements

The critical accounting judgements of the group relate to expected credit loss provisions calculated under IFRS 9 and are as follows:

- Establishing the criteria for a significant increase in credit risk; and
- Determining the appropriate definition of default.

Further information on these areas of judgements can be found in the 'Use of judgements' section on pages 107 to 108 in the Risk Report.

Key sources of estimation uncertainty

The key sources of estimation uncertainty of the group relate to expected credit loss provisions and goodwill and are as follows:

- Two key model estimates, being time to recover periods and recovery rates, underpinning the expected credit loss provision of Novitas. The key Novitas estimates in the prior year were case failure rates and recovery rates;
- Forward-looking macroeconomic information incorporated into expected credit loss models. This was also a key estimate in the prior year;
- Adjustments by management to model calculated expected credit losses due to limitations in the group's expected credit loss models or input data, which may be identified through ongoing model monitoring and validation of models. This is a new key estimate this year due to an increase in the size of the adjustment; and
- Estimate of future cash flow forecasts in the calculation of value in use for the testing of goodwill for impairment in relation to the Winterflood Securities cash generating unit. This is a new key estimate this year due to increased market uncertainty.

Additional disclosures on the estimation uncertainty relating to forward-looking macroeconomic information, model adjustments and goodwill can be found in the 'Use of estimates' section on pages 109 to 114, 'Use of Adjustments' section on page 114, both in the Risk Report, and Note 14 'Intangibles Assets' on pages 232 to 233 respectively.

3. Segmental Analysis

The directors manage the group by class of business and present the segmental analysis on that basis. The group's activities are presented in five (2022: five) operating segments: Commercial, Retail, Property, Asset Management and Securities.

In the segmental reporting information that follows, Group consists of central functions as well as various non-trading head office companies and consolidation adjustments and is set out in order that the information presented reconciles to the consolidated income statement. The Group balance sheet primarily includes treasury assets and liabilities comprising cash and balances at central banks, debt securities, customer deposits and other borrowings.

Divisions continue to charge market prices for the limited services rendered to other parts of the group. Funding charges between segments take into account commercial demands. More than 90% of the group's activities, revenue and assets are located in the UK.

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Asset Management £ million	Securities £ million	Group £ million	Total £ million
Summary income statement for the year ended 31 July 2023							
Net interest income/(expense)	**251.2**	**218.4**	**117.1**	**6.7**	**0.5**	**(1.3)**	**592.6**
Non-interest income	**96.6**	**29.7**	**0.8**	**138.1**	**74.8**	**–**	**340.0**
Operating income/(expense)	**347.8**	**248.1**	**117.9**	**144.8**	**75.3**	**(1.3)**	**932.6**
Administrative expenses	**(171.5)**	**(142.8)**	**(26.5)**	**(123.3)**	**(67.5)**	**(22.2)**	**(553.8)**
Depreciation and amortisation	**(22.9)**	**(21.6)**	**(4.4)**	**(5.5)**	**(4.3)**	**(2.5)**	**(61.2)**
Impairment losses on financial assets	**(137.5)**	**(49.0)**	**(17.5)**	**(0.1)**	**–**	**–**	**(204.1)**
Total operating expenses before amortisation of intangible assets on acquisition	**(331.9)**	**(213.4)**	**(48.4)**	**(128.9)**	**(71.8)**	**(24.7)**	**(819.1)**
Adjusted operating profit/(loss)[1]	**15.9**	**34.7**	**69.5**	**15.9**	**3.5**	**(26.0)**	**113.5**
Amortisation of intangible assets on acquisition	**–**	**–**	**–**	**(1.5)**	**–**	**–**	**(1.5)**
Operating profit/(loss) before tax	**15.9**	**34.7**	**69.5**	**14.4**	**3.5**	**(26.0)**	**112.0**
External operating income/(expense)	**451.1**	**308.6**	**170.3**	**144.2**	**75.3**	**(216.9)**	**932.6**
Inter segment operating (expense)/income	**(103.3)**	**(60.5)**	**(52.4)**	**0.6**	**–**	**215.6**	**–**
Segment operating income/(expense)	**347.8**	**248.1**	**117.9**	**144.8**	**75.3**	**(1.3)**	**932.6**

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

The Commercial operating segment above includes Novitas, which ceased lending to new customers in July 2021 following a strategic review. Novitas recorded an operating loss of £84.2 million (2022: loss of £39.3 million), driven by impairment losses of £116.8 million (2022: £60.7 million).

Novitas' income was £18.9 million (2022: £36.0 million) and expenses were £8.7 million (2022: £14.6 million). In line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis, income includes the partial unwinding over time of the expected credit loss recognised in the year following the transfer of the majority of loans to Stage 3. Further information on Novitas can be found in the Credit Risk section of the Risk Report.

The Notes continued

3. Segmental Analysis (continued)

	Banking						
	Commercial £ million	**Retail £ million**	**Property £ million**	**Asset Management £ million**	**Securities £ million**	**Group[2] £ million**	**Total £ million**
Summary balance sheet information at 31 July 2023							
Total assets[1]	**4,821.3**	**3,001.8**	**1,703.1**	**177.9**	**870.5**	**2,975.7**	**13,550.3**
Total liabilities	**–**	**–**	**–**	**64.1**	**778.1**	**11,063.2**	**11,905.4**

1. Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £59.9 million.
2. Balance sheet includes £2,977.4 million assets and £11,151.9 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £9,526.2 million, in addition to assets and liabilities of £2,977.4 million and £11,151.9 million respectively primarily comprising treasury balances which are included within the Group column above.

	Banking £ million	**Asset Management £ million**	**Securities £ million**	**Group £ million**	**Total £ million**
Equity	**1,351.7**	**113.8**	**92.4**	**87.0**	**1,644.9**

	Banking						
	Commercial	**Retail**	**Property**	**Asset Management**	**Securities**	**Group**	**Total**
Other segmental information for the year ended 31 July 2023							
Employees (average number)[1]	**1,450**	**1,194**	**201**	**814**	**320**	**81**	**4,060**

1. Banking segments are inclusive of a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Asset Management £ million	Securities £ million	Group £ million	Total £ million
Summary income statement for the year ended 31 July 2022							
Net interest income/(expense)	257.1	210.8	112.1	(0.7)	(1.1)	(0.2)	578.0
Non-interest income	86.3	26.2	0.6	148.7	96.3	–	358.1
Operating income/(expense)	343.4	237.0	112.7	148.0	95.2	(0.2)	936.1
Administrative expenses	(158.3)	(131.3)	(27.0)	(120.7)	(77.2)	(25.8)	(540.3)
Depreciation and amortisation	(21.7)	(20.3)	(4.0)	(5.6)	(3.9)	(2.2)	(57.7)
Impairment losses on financial assets	(72.4)	(24.4)	(6.5)	–	–	–	(103.3)
Total operating expenses before amortisation of intangible assets on acquisition	(252.4)	(176.0)	(37.5)	(126.3)	(81.1)	(28.0)	(701.3)
Adjusted operating profit/(loss)[1]	91.0	61.0	75.2	21.7	14.1	(28.2)	234.8
Amortisation of intangible assets on acquisition	(0.1)	–	–	(1.9)	–	–	(2.0)
Operating profit/(loss) before tax	90.9	61.0	75.2	19.8	14.1	(28.2)	232.8
External operating income/(expense)	391.7	268.3	129.4	148.1	95.2	(96.6)	936.1
Inter segment operating (expense)/income	(48.3)	(31.3)	(16.7)	(0.1)	–	96.4	–
Segment operating income/(expense)	343.4	237.0	112.7	148.0	95.2	(0.2)	936.1

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

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Asset Management £ million	Securities £ million	Group[2] £ million	Total £ million
Summary balance sheet information at 31 July 2022							
Total assets[1]	4,561.4	3,064.0	1,473.5	172.8	972.3	2,434.3	12,678.3
Total liabilities	–	–	–	70.5	880.6	10,069.7	11,020.8

1. Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £159.4 million.
2. Balance sheet includes £2,425.0 million assets and £10,181.9 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £9,098.9 million, in addition to assets and liabilities of £2,425.0 million and £10,181.9 million respectively primarily comprising treasury balances which are included within the Group column above.

	Banking £ million	Asset Management £ million	Securities £ million	Group £ million	Total £ million
Equity	1,342.0	102.3	91.7	121.5	1,657.5

	Banking						
	Commercial	Retail	Property	Asset Management	Securities	Group	Total
Other segmental information for the year ended 31 July 2022							
Employees (average number)[1]	1,348	1,153	190	722	318	79	3,810

1. Banking segments are inclusive of a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

4. Operating Profit before Tax

	2023 £ million	2022 £ million
Interest income[1]		
Cash and balances at central banks	**64.5**	5.9
Loans and advances to banks	**4.2**	0.3
Loans and advances to customers	**807.4**	680.4
Other interest income	**21.4**	3.4
	897.5	690.0
Interest expense		
Deposits by banks	**(3.2)**	(0.1)
Deposits by customers	**(203.6)**	(64.1)
Borrowings	**(90.2)**	(33.2)
Other interest expense[2]	**(7.9)**	(14.6)
	(304.9)	(112.0)
Net interest income	**592.6**	578.0

1. Interest income calculated using the effective interest method.
2. Other interest expense includes interest income of £8.3 million relating to derivative assets and liabilities (2022: £0.1 million interest expense).

The Notes continued

4. Operating Profit before Tax (continued)

	2023 £ million	2022 £ million
Fee and commission income		
Banking	**110.6**	98.1
Asset Management	**138.7**	148.8
Securities	**13.6**	12.6
	262.9	259.5
Fee and commission expense	**(17.9)**	(17.2)
Net fee and commission income	**245.0**	242.3

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 £110.6 million (2022: £98.1 million) and £15.1 million (2022: £14.7 million) respectively.

Fee income and expense arising from trust and other fiduciary activities amounted to £138.7 million (2022: £148.8 million) and £1.6 million (2022: £1.8 million) respectively.

	2023 £ million	2022 £ million
Other income		
Operating lease assets rental income	**91.1**	85.4
Other[1]	**23.1**	20.7
	114.2	106.1

1. Includes income from services provided in relation to operating lease assets.

	2023 £ million	2022 £ million
Administrative expenses		
Staff costs:		
Wages and salaries	**288.0**	283.9
Social security costs	**38.1**	38.8
Share-based awards	**2.0**	4.9
Pension costs	**18.9**	16.9
	347.0	344.5
Depreciation and amortisation	**61.2**	57.7
Other administrative expenses	**206.8**	195.8
	615.0	598.0

Staff costs of the company total £12.5 million (2022: £16.6 million) comprising largely of wages and salaries of £11.4 million (2022: £11.9 million).

5. Information Regarding the Auditors

	2023[1] £ million	2022[1] £ million
Fees payable		
Audit of the company's annual accounts	**0.9**	0.6
Audit of the company's subsidiaries pursuant to legislation	**3.0**	2.3
Audit related services	**0.6**	0.5
Other services	**0.2**	0.3
	4.7	3.7

1. During the year, an additional audit fee of £0.2 million (2022: £0.2 million) was paid to the auditors in relation to scope changes in the prior year audit, which is not included above.

The auditors of the group was PricewaterhouseCoopers LLP (2022: PricewaterhouseCoopers LLP).

6. Taxation

	2023 £ million	2022 £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**18.1**	53.7
Foreign tax	**2.3**	1.9
Adjustments in respect of previous years	**(8.2)**	(2.8)
	12.2	52.8
Deferred tax:		
Deferred tax charge for the current year	**11.4**	11.8
Adjustments in respect of previous years	**7.3**	3.0
	30.9	67.6
Tax on items not (credited)/charged to the income statement		
Current tax relating to:		
Share-based payments	**(0.2)**	–
Deferred tax relating to:		
Cash flow hedging	**4.9**	8.6
Defined benefit pension scheme	**(1.6)**	(0.3)
Financial instruments classified as fair value through other comprehensive income	**(1.1)**	(0.4)
Share-based payments	**0.3**	1.1
Currency translation gains/(losses)	**0.5**	(0.3)
	2.8	8.7
Reconciliation to tax expense		
UK corporation tax for the year at 21.0% (2022: 19.0%) on operating profit before tax	**23.5**	44.2
Effect of different tax rates in other jurisdictions	**(0.3)**	(0.3)
Disallowable items and other permanent differences	**1.6**	0.9
Banking surcharge	**6.2**	14.9
Deferred tax impact of decreased tax rates	**0.8**	7.7
Prior year tax provision	**(0.9)**	0.2
	30.9	67.6

The standard UK corporation tax rate for the financial year is 21.0% (2022: 19.0%). However, an additional 6.3% (2022: 8.0%) surcharge applies to banking company profits as defined in legislation (and only above a threshold amount). The 6.3% surcharge rate for the financial year arises due to the reduction in the surcharge from 8% to 3% from April 2023. The effective tax rate of 27.6% (2022: 29.0%) is above the UK corporation tax rate primarily due to the surcharge applying to most of the group's profits.

The Notes continued

6. Taxation (continued)

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Impairment Losses £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
Group								
At 1 August 2021	36.1	(2.2)	15.5	8.8	0.1	(1.7)	(0.6)	56.0
(Charge)/credit to the income statement	(10.9)	–	(1.5)	(3.0)	–	0.4	0.2	(14.8)
Credit/(charge) to other comprehensive income	0.3	0.3	–	–	(8.6)	–	0.4	(7.6)
Charge to equity	–	–	(1.1)	–	–	–	–	(1.1)
At 31 July 2022	25.5	(1.9)	12.9	5.8	(8.5)	(1.3)	–	32.5
(Charge)/credit to the income statement	(12.1)	–	(3.9)	0.1	–	0.4	(3.2)	(18.7)
(Charge)/credit to other comprehensive income	(0.5)	1.6	–	–	(4.9)	–	1.1	(2.7)
Charge to equity	–	–	(0.3)	–	–	–	–	(0.3)
At 31 July 2023	**12.9**	**(0.3)**	**8.7**	**5.9**	**(13.4)**	**(0.9)**	**(2.1)**	**10.8**

The group's deferred tax asset comprises £0.7 million (31 July 2022: £12.5 million) due within one year and £10.1 million (31 July 2022: £20.0 million) due after more than one year.

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Total £ million
Company				
At 1 August 2021	(0.6)	(2.2)	2.0	(0.8)
Credit to the income statement	0.3	–	–	0.3
Credit to other comprehensive income	–	0.3	–	0.3
At 31 July 2022	(0.3)	(1.9)	2.0	(0.2)
Charge to the income statement	(0.1)	–	(0.9)	(1.0)
Credit to other comprehensive income	–	1.6	–	1.6
At 31 July 2023	**(0.4)**	**(0.3)**	**1.1**	**0.4**

The company's deferred tax asset comprises £0.2 million (31 July 2022: £0.4 million) due within one year and £0.2 million (31 July 2022: £0.6 million liabilities) due after more than one year.

As the group has been and is expected to continue to be consistently profitable, the full deferred tax assets have been recognised.

7. 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.

	2023	2022
Basic	54.3p	110.4p
Diluted	54.2p	109.9p
Adjusted basic[1]	55.1p	111.5p
Adjusted diluted[1]	55.0p	111.0p

1. Excludes amortisation of intangible assets on acquisition and tax.

	2023 £ million	2022 £ million
Profit attributable to shareholders	81.1	165.2
Adjustments:		
Amortisation of intangible assets on acquisition	1.5	2.0
Tax effect of adjustments	(0.3)	(0.4)
Adjusted profit attributable to shareholders	82.3	166.8

	2023 million	2022 million
Average number of shares		
Basic weighted	149.4	149.6
Effect of dilutive share options and awards	0.2	0.7
Diluted weighted	149.6	150.3

8. Dividends

	2023 £ million	2022 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2022: 44.0p (November 2021: 42.0p)	65.6	62.7
Interim dividend for current financial year paid in April 2023: 22.5p (April 2022: 22.0p)	33.5	32.8
	99.1	95.5

A final dividend relating to the year ended 31 July 2023 of 45.0p, amounting to an estimated £67.0 million, is proposed. This final dividend, which is due to be paid on 24 November 2023 to shareholders on the register at 20 October 2023, is not reflected in these financial statements.

9. 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 2023	290.9	21.6	2.0	3.0	12.8	330.3
At 31 July 2022	147.0	1.9	10.0	2.4	4.1	165.4

The Notes continued

10. Loans and Advances to Customers

(a) Maturity analysis of loans and advances to customers

The following table sets out a maturity analysis of loans and advances to customers. At 31 July 2023 loans and advances to customers with a maturity of two years or less was £7,158.8 million (31 July 2022: £6,733.0 million) representing 74.3% (31 July 2022: 73.6%) of total gross 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	Total gross loans and advances to customers £ million	Impairment provisions £ million	Total net loans and advances to customers £ million
At 31 July 2023	**76.5**	**2,597.8**	**2,636.5**	**1,848.0**	**2,337.2**	**139.6**	**9,635.6**	**(380.6)**	**9,255.0**
At 31 July 2022	141.3	2,354.2	2,369.0	1,868.5	2,235.0	176.5	9,144.5	(285.6)	8,858.9

(b) Loans and advances to customers and impairment provisions by stage

Gross loans and advances to customers by stage and the corresponding impairment provisions and provision coverage ratios are set out below:

		Stage 2				
	Stage 1 £ million	Less than 30 days past due £ million	Greater than or equal to 30 days past due £ million	Total £ million	Stage 3 £ million	Total £ million
At 31 July 2023						
Gross loans and advances to customers						
Commercial	**3,686.1**	**750.9**	**23.2**	**774.1**	**339.4**	**4,799.6**
Of which: Commercial excluding Novitas	3,685.1	749.6	23.2	772.8	97.7	4,555.6
Of which: Novitas	1.0	1.3	–	1.3	241.7	244.0
Retail	**2,839.1**	**159.1**	**18.4**	**177.5**	**74.6**	**3,091.2**
Property	**1,465.0**	**85.7**	**24.7**	**110.4**	**169.4**	**1,744.8**
	7,990.2	**995.7**	**66.3**	**1,062.0**	**583.4**	**9,635.6**
Impairment provisions						
Commercial	**25.1**	**13.9**	**2.4**	**16.3**	**208.1**	**249.5**
Of which: Commercial excluding Novitas	24.9	13.6	2.4	16.0	24.5	65.4
Of which: Novitas	0.2	0.3	–	0.3	183.6	184.1
Retail	**27.9**	**11.6**	**2.6**	**14.2**	**47.3**	**89.4**
Property	**5.1**	**1.4**	**0.3**	**1.7**	**34.9**	**41.7**
	58.1	**26.9**	**5.3**	**32.2**	**290.3**	**380.6**
Provision coverage ratio						
Commercial	**0.7%**	**1.9%**	**10.3%**	**2.1%**	**61.3%**	**5.2%**
Within which: Commercial excluding Novitas	0.7%	1.8%	10.3%	2.1%	25.1%	1.4%
Within which: Novitas	20.0%	23.1%	–	23.1%	76.0%	75.5%
Retail	**1.0%**	**7.3%**	**14.1%**	**8.0%**	**63.4%**	**2.9%**
Property	**0.3%**	**1.6%**	**1.2%**	**1.5%**	**20.6%**	**2.4%**
	0.7%	**2.7%**	**8.0%**	**3.0%**	**49.8%**	**3.9%**

	Stage 1 £ million	Stage 2 Less than 30 days past due £ million	Stage 2 Greater than or equal to 30 days past due £ million	Stage 2 Total £ million	Stage 3 £ million	Total £ million
At 31 July 2022						
Gross loans and advances to customers						
Commercial	3,433.1	778.8	119.4	898.2	169.1	4,500.4
Of which: Commercial excluding Novitas	3,331.8	776.6	25.6	802.2	93.7	4,227.7
Of which: Novitas	101.3	2.2	93.8	96.0	75.4	272.7
Retail	2,937.6	121.4	9.4	130.8	65.5	3,133.9
Property	1,256.3	83.8	46.1	129.9	124.0	1,510.2
	7,627.0	984.0	174.9	1,158.9	358.6	9,144.5
Impairment provisions						
Commercial	25.6	14.3	52.0	66.3	87.1	179.0
Of which: Commercial excluding Novitas	16.8	13.3	2.5	15.8	33.1	65.7
Of which: Novitas	8.8	1.0	49.5	50.5	54.0	113.3
Retail	22.1	4.9	1.7	6.6	41.2	69.9
Property	2.6	4.2	1.2	5.4	28.7	36.7
	50.3	23.4	54.9	78.3	157.0	285.6
Provision coverage ratio						
Commercial	0.7%	1.8%	43.6%	7.4%	51.5%	4.0%
Within which: Commercial excluding Novitas	0.5%	1.7%	9.8%	2.0%	35.3%	1.6%
Within which: Novitas	8.7%	45.5%	52.8%	52.6%	71.6%	41.5%
Retail	0.8%	4.0%	18.1%	5.0%	62.9%	2.2%
Property	0.2%	5.0%	2.6%	4.2%	23.1%	2.4%
	0.7%	2.4%	31.4%	6.8%	43.8%	3.1%

Stage allocation of loans and advances to customers has been applied in line with the definitions set out on page 213 in Note 1 ‘Significant Accounting Policies’.

Additional disclosures on the stage allocation and movements of loans and advances to customers can be found on page 107 in the Risk Report.

The Notes continued

10. Loans and Advances to Customers (continued)

(c) Adjustments

By their nature, limitations in the group's expected credit loss models or input data may be identified through ongoing model monitoring and validation of models. In certain circumstances, management make appropriate adjustments to model-calculated expected credit losses. Adjustments have been identified as a key source of estimation uncertainty as set out in Note 2 'Critical Accounting Judgements and Estimates'.

(d) Reconciliation of loans and advances to customers and impairment provisions

Reconciliations of gross loans and advances to customers and associated impairment provisions are set out below.

New financial assets originate in Stage 1 only, and the amount presented represents the value at origination.

Subsequently, a loan may transfer between stages, and the presentation of such transfers is based on a comparison of the loan at the beginning of the year (or at origination if this occurred during the year) and the end of the year (or just prior to final repayment or write off).

Repayments relating to loans which transferred between stages during the year are presented within the transfers between stages lines. Such transfers do not represent overnight reclassification from one stage to another. All other repayments are presented in a separate line.

ECL model methodologies may be updated or enhanced from time to time and the impacts of such changes are presented on a separate line. During the year, a number of enhancements were made to the models in the Premium business. The enhancements were made to address known model limitations and to ensure modelled provisions better reflect future loss emergence.

Enhancements to our model suite are a contributory factor to ECL movements and such factors have been taken into consideration when assessing any required adjustments to modelled output and ensuring appropriate provision coverage levels.

A loan is written off when there is no reasonable expectation of further recovery following realisation of all associated collateral and available recovery actions against the customer.

	Stage 1 £ million	Stage 2 £ million	Stage 3[1] £ million	Total £ million
Gross loans and advances to customers				
At 1 August 2022	**7,627.0**	**1,158.9**	**358.6**	**9,144.5**
New financial assets originated	**6,604.0**	**–**	**–**	**6,604.0**
Transfers to Stage 1	**276.2**	**(373.2)**	**(6.8)**	**(103.8)**
Transfers to Stage 2	**(1,068.6)**	**878.6**	**(16.1)**	**(206.1)**
Transfers to Stage 3	**(303.6)**	**(194.4)**	**421.5**	**(76.5)**
Net transfers between stages and repayments[2]	**(1,096.0)**	**311.0**	**398.6**	**(386.4)**
Repayments while stage remained unchanged and final repayments	**(5,118.8)**	**(403.5)**	**(100.4)**	**(5,622.7)**
Changes to model methodologies	**(25.6)**	**(4.0)**	**29.6**	**–**
Write offs	**(0.4)**	**(0.4)**	**(103.0)**	**(103.8)**
At 31 July 2023	**7,990.2**	**1,062.0**	**583.4**	**9,635.6**

1. A significant proportion of the Stage 3 movements is driven by Novitas with £174.4 million of transfers to Stage 3 and £37.4 million of write-offs. In addition, £49.2 million of Novitas movements are included within 'Repayments while stage remained unchanged and final repayments', comprising largely of accrued interest. The accrued interest is partly offset by ECL increases included within the adjacent ECL reconciliation, in line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis. Further information on Novitas can be found in the Credit Risk section of the Risk Report.
2. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Gross loans and advances to customers				
At 1 August 2021	7,434.3	960.2	330.4	8,724.9
New financial assets originated	6,537.4	–	–	6,537.4
Transfers to Stage 1	196.2	(278.6)	(5.3)	(87.7)
Transfers to Stage 2	(1,056.3)	959.9	(21.4)	(117.8)
Transfers to Stage 3	(206.9)	(137.5)	278.6	(65.8)
Net transfers between stages and repayments[1]	(1,067.0)	543.8	251.9	(271.3)
Repayments while stage remained unchanged and final repayments	(5,241.7)	(354.2)	(157.8)	(5,753.7)
Changes to model methodologies	(33.3)	31.6	1.8	0.1
Write offs	(2.7)	(22.5)	(67.7)	(92.9)
At 31 July 2022	7,627.0	1,158.9	358.6	9,144.5

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

The gross carrying amount before modification of loans and advances to customers which were modified during the year while in Stage 2 or 3 was £152.3 million (2022: £288.3 million). No gain or loss (2022: £nil) was recognised as a result of these modifications. The gross carrying amount at 31 July 2023 of modified loans and advances to customers which transferred from Stage 2 or 3 to Stage 1 during the year was £14.8 million (31 July 2022: £110.2 million).

	Stage 1 £ million	**Stage 2 £ million**	**Stage 3[1] £ million**	**Total £ million**
Impairment provisions on loans and advances to customers				
At 1 August 2022	**50.3**	**78.3**	**157.0**	**285.6**
New financial assets originated	**46.7**	**–**	**–**	**46.7**
Transfers to Stage 1	**1.2**	**(7.7)**	**(1.0)**	**(7.5)**
Transfers to Stage 2	**(8.7)**	**27.7**	**(5.7)**	**13.3**
Transfers to Stage 3	**(11.2)**	**(53.3)**	**227.2**	**162.7**
Net remeasurement of expected credit losses arising from transfers between stages and repayments[2]	**(18.7)**	**(33.3)**	**220.5**	**168.5**
Repayments and ECL movements while stage remained unchanged and final repayments	**(17.8)**	**(10.7)**	**(20.0)**	**(48.5)**
Changes to model methodologies	**(2.2)**	**(1.9)**	**2.3**	**(1.8)**
Charge to the income statement	**8.0**	**(45.9)**	**202.8**	**164.9**
Write offs	**(0.2)**	**(0.2)**	**(69.5)**	**(69.9)**
At 31 July 2023	**58.1**	**32.2**	**290.3**	**380.6**

1. A significant proportion of the Stage 3 movements is driven by Novitas with £147.6 million of transfers to Stage 3 and £11.9 million of write-offs. Further information on Novitas can be found in the Credit Risk section of the Risk Report.
2. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Impairment provisions on loans and advances to customers				
At 1 August 2021	80.0	84.2	116.2	280.4
New financial assets originated	37.7	–	–	37.7
Transfers to Stage 1	1.3	(12.2)	(1.7)	(12.6)
Transfers to Stage 2	(17.1)	59.4	(9.9)	32.4
Transfers to Stage 3	(9.0)	(28.8)	123.2	85.4
Net remeasurement of expected credit losses arising from transfers between stages and repayments[1]	(24.8)	18.4	111.6	105.2
Repayments and ECL movements while stage remained unchanged and final repayments	(37.6)	(0.7)	(9.8)	(48.1)
Changes to model methodologies	(2.2)	(1.1)	1.9	(1.4)
Charge to the income statement	(26.9)	16.6	103.7	93.4
Write offs	(2.8)	(22.5)	(62.9)	(88.2)
At 31 July 2022	50.3	78.3	157.0	285.6

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

The Notes continued

10. Loans and Advances to Customers (continued)

	2023 £ million	2022 £ million
Impairment losses relating to loans and advances to customers:		
Charge to income statement arising from movement in impairment provisions	**164.9**	93.4
Amounts written off directly to income statement, net of recoveries and other costs	**39.4**	8.5
	204.3	101.9
Impairment (gains)/losses relating to other financial assets	**(0.2)**	1.4
Impairment losses on financial assets recognised in income statement	**204.1**	103.3

Impairment losses on financial assets of £204.1 million (2022: £103.3 million) include £116.8 million in relation to Novitas (2022: £60.7 million).

The contractual amount outstanding at 31 July 2023 on financial assets that were written off during the period and are still subject to recovery activity is £32.3 million (31 July 2022: £17.3 million).

(e) Finance lease and hire purchase agreement receivables

	31 July 2023 £ million	31 July 2022 £ million
Net loans and advances to customers comprise		
Hire purchase agreement receivables	**3,671.3**	3,725.1
Finance lease receivables	**803.9**	694.4
Other loans and advances	**4,779.8**	4,439.4
At 31 July	**9,255.0**	8,858.9

The following table shows a reconciliation between gross investment in finance lease and hire purchase agreement receivables included in the net loans and advances to customers table above to present value of minimum lease and hire purchase payments.

	31 July 2023 £ million	31 July 2022 £ million
Gross investment in finance leases and hire purchase agreement receivables due:		
One year or within one year	**1,849.3**	1,740.2
>One to two years	**2,002.8**	1,927.1
>Two to three years	**972.5**	943.9
>Three to four years	**438.5**	475.1
>Four to five years	**115.5**	123.7
More than five years	**41.1**	36.2
	5,419.7	5,246.2
Unearned finance income	**(820.7)**	(731.4)
Present value of minimum lease and hire purchase agreement payments	**4,599.0**	4,514.8
Of which due:		
One year or within one year	**1,567.2**	1,496.9
>One to two years	**1,691.7**	1,654.4
>Two to three years	**830.2**	815.7
>Three to four years	**375.3**	410.0
>Four to five years	**99.2**	106.6
More than five years	**35.4**	31.2
	4,599.0	4,514.8

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £7,167.5 million (2022: £7,443.8 million). The average effective interest rate on finance leases approximates to 11.0% (2022: 9.9%). 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.

11. Debt Securities

	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
Long trading positions in debt securities	15.2	–	–	15.2
Certificates of deposit	–	–	–	–
Sovereign and central bank debt	–	186.1	–	186.1
Covered bonds	–	106.3	–	106.3
At 31 July 2023	**15.2**	**292.4**	**–**	**307.6**

	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
Long trading positions in debt securities	12.4	–	–	12.4
Certificates of deposit	–	–	185.0	185.0
Sovereign and central bank debt	–	415.4	–	415.4
Covered bonds	–	–	–	–
At 31 July 2022	12.4	415.4	185.0	612.8

Movements on the book value of sovereign and central bank debt comprise:

	2023 £ million	2022 £ million
Sovereign and central bank debt at 1 August	415.4	192.5
Additions	269.7	335.3
Redemptions	(459.2)	(80.0)
Currency translation differences	(0.3)	(1.2)
Movement in value	(39.5)	(31.2)
Sovereign and central bank debt at 31 July	186.1	415.4

Movements on the book value of covered bonds comprise:

	2023 £ million	2022 £ million
Covered bonds at 1 August	–	–
Additions	105.4	–
Movement in value	0.9	–
Covered bonds at 31 July	106.3	–

12. Equity Shares

	31 July 2023 £ million	31 July 2022 £ million
Long trading positions	27.8	27.1
Other equity shares	1.5	1.3
	29.3	28.4

13. Derivative Financial Instruments

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

	31 July 2023			31 July 2022		
	Notional value £ million	Assets £ million	Liabilities £ million	Notional value £ million	Assets £ million	Liabilities £ million
Exchange rate contracts	198.1	0.8	0.4	109.8	0.7	0.3
Interest rate contracts	3,493.3	87.7	195.5	4,408.7	70.5	88.9
	3,691.4	88.5	195.9	4,518.5	71.2	89.2

The Notes continued

13. Derivative Financial Instruments (continued)

Notional amounts of interest rate contracts totalling £2,402.7 million (31 July 2022: £3,828.8 million), which are held for interest rate risk management and interest margin stabilisation purposes, 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 2023			31 July 2022		
	Notional value £ million	**Assets £ million**	**Liabilities £ million**	Notional value £ million	Assets £ million	Liabilities £ million
Cash flow hedges						
Interest rate contracts	**297.7**	**8.5**	**2.9**	1,552.0	33.2	1.6
Fair value hedges						
Interest rate contracts	**1,614.7**	**42.2**	**173.3**	1,475.4	28.3	82.3

The group generally enters into fair value hedges and cash flow hedges with changes in the relevant benchmark interest rate risk being the predominant hedged risk.

The fair value hedges seek to hedge the exposure to changes in the fair value of recognised assets and liabilities or firm commitments attributable to interest rate risk. Changes in interest rate risk are considered the largest component of the overall change in fair value. Other risks such as credit risk are managed but excluded from the hedge accounting relationship.
The interest rate risk component is the change in fair value of the fixed rate hedging items arising solely from changes in the benchmark interest rate.

Cash flow hedges seek to hedge the exposure to variability in future cash flows due to movements in the relevant benchmark interest rate with interest rate swaps. These future cash flows relate to future interest payments or receipts on recognised financial instruments and on forecast transactions for periods of up to seven (2022: six) years. The group applies portfolio cash flow hedging for interest rate risk exposures on a portfolio of actual and forecast variable interest rate cash flows arising from variable rate borrowings.

Certain items which are economically hedged may be ineligible for hedge accounting in accordance with IAS 39. Therefore, a portfolio of floating rate liabilities have been designated as eligible hedged items in the cash flow hedge portfolio. The amounts and timing of future cash flows are projected on the basis of their contractual and forecast terms and other relevant factors. The exposure from this portfolio frequently changes due to new facilities being originated, contractual repayments and new interest rate swaps added to the portfolio.

To assess hedge effectiveness the change in fair value or cash flows of the hedging instruments is compared with the change in fair value or cash flows of the hedged item attributable to the hedged risk. A hedge is considered highly effective if the results are within a ratio of 80%-125%.

The main sources of hedge ineffectiveness can include, but are not limited to, basis mismatch, maturity mismatch, credit valuation adjustments and cash flow timing mismatch between the hedged item and the hedging instrument.

The maturity profiles for the notional amounts of the group's cash flow and fair value hedges are set out as follows.

	On demand £ million	**Within three months £ million**	**Between three and six months £ million**	**Between six months and one year £ million**	**Between one and five years £ million**	**After more than five years £ million**	**Total £ million**
Cash flow hedges							
Interest rate risk							
31 July 2023	**–**	**90.8**	**0.3**	**27.7**	**137.7**	**41.2**	**297.7**
31 July 2022	–	69.5	50.0	210.4	1,205.9	16.2	1,552.0
Fair value hedges							
Interest rate risk							
31 July 2023	**–**	**51.0**	**0.6**	**190.6**	**690.0**	**682.5**	**1,614.7**
31 July 2022	–	0.7	0.4	141.3	680.3	652.7	1,475.4

Cash flow hedges have an average fixed rate of 2.0% (31 July 2022: 1.0%). Fair value hedges have an average fixed rate of 1.6% (31 July 2022: 1.9%).

Details of the hedging instruments for the group's hedge ineffectiveness assessment are set out as follows.

	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2023 £ million	**Hedge ineffectiveness recognised in income statement 2023 £ million**	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2022 £ million	Hedge ineffectiveness recognised in income statement 2022 £ million
Cash flow hedges				
Interest rate risk	**(26.2)**	**(0.1)**	29.6	0.1
Fair value hedges				
Interest rate risk	**(74.6)**	**–**	(50.4)	(0.1)

The carrying amount of hedging interest rate swaps is held within derivative financial instruments and the hedge ineffectiveness is held within other income. Details of the hedged exposures covered by the group's hedging strategies are set out as follows.

	Carrying amount of hedged item £ million	**Accumulated amount of fair value adjustment on the hedged item £ million**	**Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million**
At 31 July 2023			
Fair value hedges			
Assets			
Debt securities	**186.1**	**(27.0)**	**(3.0)**
Loans and advances to customers and undrawn commitments	**124.3**	**(13.4)**	**(8.6)**
	310.4	**(40.4)**	**(11.6)**
Liabilities			
Deposits by customers	**280.3**	**(3.9)**	**(3.9)**
Debt securities in issue	**613.6**	**(142.5)**	**(70.2)**
Subordinated loan capital	**174.9**	**(25.1)**	**(12.1)**
	1,068.8	**(171.5)**	**(86.2)**

	Carrying amount of hedged item £ million	Accumulated amount of fair value adjustment on the hedged item £ million	Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million
At 31 July 2022			
Fair value hedges			
Assets			
Debt securities	211.1	(24.0)	(28.5)
Loans and advances to customers and undrawn commitments	107.4	(4.8)	(6.7)
	318.5	(28.8)	(35.2)
Liabilities			
Deposits by customers	–	–	(0.1)
Debt securities in issue	823.3	(72.2)	(71.6)
Subordinated loan capital	186.5	(13.0)	(13.8)
	1,009.8	(85.2)	(85.5)

Details of the impact of hedging relationships on the income statement and other comprehensive income are set out as follows.

	Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million	Gains/(losses) on discontinued hedges recognised in other comprehensive income £ million	(Losses)/gains from changes in value of hedging instrument recognised in other comprehensive income £ million	Amounts reclassified from reserves to income statement[1] £ million
Cash flow hedges				
Interest rate risk				
31 July 2023	**26.1**	**43.3**	**(26.1)**	**1.5**
31 July 2022	(29.5)	(0.4)	29.6	(1.0)

1. Amounts have been reclassified to other income since hedged cash flows will no longer occur.

The Notes continued

14. Intangible Assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Group total £ million	Company software £ million
Cost					
At 1 August 2021	142.9	272.8	51.0	466.7	0.4
Additions	–	56.0	–	56.0	–
Disposals	(0.3)	(29.3)	–	(29.6)	–
At 31 July 2022	142.6	299.5	51.0	493.1	0.4
Additions	–	50.5	–	50.5	–
Disposals	(0.1)	(16.8)	–	(16.9)	(0.2)
At 31 July 2023	**142.5**	**333.2**	**51.0**	**526.7**	**0.2**
Amortisation and impairment					
At 1 August 2021	47.9	142.4	43.8	234.1	0.4
Amortisation charge for the year	–	34.6	2.0	36.6	–
Disposals	–	(29.6)	–	(29.6)	–
At 31 July 2022	47.9	147.4	45.8	241.1	0.4
Amortisation charge for the year	–	36.1	1.5	37.6	–
Disposals	–	(15.7)	–	(15.7)	(0.2)
At 31 July 2023	**47.9**	**167.8**	**47.3**	**263.0**	**0.2**
Net book value at 31 July 2023	**94.6**	**165.4**	**3.7**	**263.7**	**–**
Net book value at 31 July 2022	94.7	152.1	5.2	252.0	–
Net book value at 1 August 2021	95.0	130.4	7.2	232.6	–

Software includes assets under development of £88.8 million (31 July 2022: £71.1 million).

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

In the 2023 financial year, £1.5 million (2022: £2.0 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £36.1 million (2022: £34.6 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

Impairment tests for goodwill

At 31 July 2023, goodwill has been allocated to eight (31 July 2022: eight) individual CGUs. Six (31 July 2022: six) are within the Banking division, one is the Asset Management division and the remaining one is Winterflood in the Securities division. Goodwill is allocated to the CGU in which the historical acquisition occurred and hence the goodwill originated. Further information on the performance of each division can be found in Note 3 'Segmental Analysis'. 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 forecasts based on the most recent 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 loan book growth rates and net return on loan book in the Banking CGUs, expected total client asset growth rate and revenue margin in the Asset Management CGU and expected market-making conditions in the Winterflood CGU.

Beyond the group's three-year planning horizon, estimates of future cash flows in the fourth and fifth years are made by management with due consideration given to the key assumptions set out above. After the fifth year, a terminal value is calculated using an annual growth rate of 2%, which is consistent with the UK government's long-term inflation target. In the prior year, management applied a more prudent 0% annual growth rate. The cash flows are discounted using a pre-tax estimated weighted average cost of capital as set out in the following table. The methodology used to derive the discount rate for Winterflood was refined during the year. The discount rates used differ across the CGUs, reflecting the nature of the CGUs' business and the current market returns appropriate to the CGU that investors would require for a similar asset.

At 31 July 2023, the results of the review indicate there is no goodwill impairment. The inputs used in the value in use calculations are sensitive primarily to 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 to the carrying value of any CGU to exceed its recoverable amount.

Winterflood recorded lower profits in the year driven by difficult market conditions. The business has a long track record of trading profitably in a range of conditions and is well placed to take advantage when investor confidence recovers. Nevertheless, future market conditions remain uncertain and as such the value in use calculation for this CGU has been identified as a key source of estimation uncertainty as set out in Note 2 ‘Critical Accounting Judgements and Estimates’.

The most significant uncertainty within the Winterflood value in use calculation relates to the expected future cash flows. A reduction in the year 4 and 5 cash flows to the level of year 3, combined with a further 40% reduction in the cash flows in year 5 and all subsequent years, would result in a recoverable amount that is marginally above the carrying value of the CGU. This scenario is a demonstration of sensitivity only and is not considered probable by management.

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:

	31 July 2023		31 July 2022	
Cash generating unit	**Goodwill £ million**	**Pre-tax discount rate %**	Goodwill £ million	Pre-tax discount rate %
Close Brothers Asset Management	**39.8**	**11.6**	39.9	10.4
Winterflood	**23.3**	**16.9**	23.3	16.7
Banking division CGUs	**31.5**	**17.0-17.3**	31.5	15.4-17.1
	94.6		94.7	

15. Property, Plant and Equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Right of use assets[1] £ million	Total £ million
Group						
Cost						
At 1 August 2021	25.2	74.8	360.7	0.2	71.7	532.6
Additions	0.6	4.3	67.8	–	13.6	86.3
Disposals	(4.9)	(16.5)	(30.3)	–	(6.8)	(58.5)
At 31 July 2022	20.9	62.6	398.2	0.2	78.5	560.4
Additions	1.0	7.5	93.1	0.2	24.7	126.5
Disposals	(0.4)	(4.6)	(42.2)	–	(9.2)	(56.4)
At 31 July 2023	**21.5**	**65.5**	**449.1**	**0.4**	**94.0**	**630.5**
Depreciation						
At 1 August 2021	15.7	47.5	137.8	0.1	21.6	222.7
Depreciation and impairment charges for the year	2.2	7.6	40.6	0.1	13.2	63.7
Disposals	(4.9)	(18.2)	(20.2)	–	(5.2)	(48.5)
At 31 July 2022	13.0	36.9	158.2	0.2	29.6	237.9
Depreciation and impairment charges for the year	2.4	8.3	45.5	–	14.4	70.6
Disposals	(0.4)	(4.3)	(25.8)	–	(4.6)	(35.1)
At 31 July 2023	**15.0**	**40.9**	**177.9**	**0.2**	**39.4**	**273.4**
Net book value at 31 July 2023	**6.5**	**24.6**	**271.2**	**0.2**	**54.6**	**357.1**
Net book value at 31 July 2022	7.9	25.7	240.0	–	48.9	322.5
Net book value at 1 August 2021	9.5	27.3	222.9	0.1	50.1	309.9

1. Right of use assets primarily relate to the group’s leasehold properties.

The Notes continued

15. Property, Plant and Equipment (continued)

There was a gain of £3.3 million from the sale of assets held under operating leases for the year ended 31 July 2023 (2022: £3.2 million).

	31 July 2023 £ million	31 July 2022 £ million
Future minimum lease rentals receivable under non-cancellable operating leases		
One year or within one year	**50.8**	49.2
>One to two years	**34.1**	28.2
>Two to three years	**22.5**	13.5
>Three to four years	**14.9**	5.6
>Four to five years	**8.1**	2.9
More than five years	**2.3**	0.6
	132.7	100.0

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Total £ million
Company			
Cost			
At 1 August 2021	0.3	11.8	12.1
Additions	–	–	–
At 31 July 2022	0.3	11.8	12.1
Additions	–	–	–
At 31 July 2023	**0.3**	**11.8**	**12.1**
Depreciation			
At 1 August 2021	–	0.6	0.6
Charge for the year	0.1	1.2	1.3
At 31 July 2022	0.1	1.8	1.9
Charge for the year	–	1.3	1.3
At 31 July 2023	**0.1**	**3.1**	**3.2**
Net book value at 31 July 2023	**0.2**	**8.7**	**8.9**
Net book value at 31 July 2022	0.2	10.0	10.2
Net book value at 1 August 2021	0.3	11.2	11.5

The net book value of leasehold property comprises:

	Group		Company	
	31 July 2023 £ million	31 July 2022 £ million	31 July 2023 £ million	31 July 2022 £ million
Long leasehold property	**1.2**	1.3	**0.2**	0.2
Short leasehold property	**5.3**	6.6	**–**	–
	6.5	7.9	**0.2**	0.2

16. Other Assets and Other Liabilities

	31 July 2023 £ million	31 July 2022 £ million
Prepayments, accrued income and other assets		
Prepayments	**117.3**	115.6
Accrued income	**20.0**	14.9
Trade and other receivables	**46.8**	54.7
	184.1	185.2
Accruals, deferred income and other liabilities		
Accruals	**130.3**	149.0
Deferred income	**7.9**	5.7
Trade and other payables	**145.6**	155.9
Provisions	**19.2**	23.9
	303.0	334.5

Provisions movement in the year:

	Claims £ million	Property £ million	Other £ million	Total £ million
Group				
At 1 August 2021	5.8	6.8	9.2	21.8
Additions	5.8	1.1	2.2	9.1
Utilised	(1.4)	(0.6)	(1.9)	(3.9)
Released	(1.3)	(0.6)	(1.2)	(3.1)
At 31 July 2022	8.9	6.7	8.3	23.9
Additions	1.6	1.5	4.1	7.2
Utilised	(6.2)	–	(2.0)	(8.2)
Released	(2.0)	(0.1)	(1.6)	(3.7)
At 31 July 2023	**2.3**	**8.1**	**8.8**	**19.2**

	Property £ million	Other £ million	Total £ million
Company			
At 1 August 2021	0.4	2.6	3.0
Additions	–	1.0	1.0
Utilised	–	(0.4)	(0.4)
Released	–	(0.2)	(0.2)
At 31 July 2022	0.4	3.0	3.4
Additions	–	0.4	0.4
Utilised	–	(0.7)	(0.7)
Released	–	(0.7)	(0.7)
At 31 July 2023	**0.4**	**2.0**	**2.4**

Provisions are made for claims and other items which arise in the normal course of business. Claims relate to legal and regulatory cases, while other items largely relate to property dilapidations and employee benefits. For such matters, a provision is recognised where it is determined that there is a present obligation arising from a past event, payment is probable, and the amount can be estimated reliably. The timing and/or outcome of these claims and other items are uncertain.

The Notes continued

17. Settlement Balances and Short Positions

	31 July 2023 £ million	31 July 2022 £ million
Settlement balances	**686.0**	780.7
Short positions in:		
Debt securities	**3.5**	7.5
Equity shares	**6.4**	7.9
	9.9	15.4
	695.9	796.1

18. 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	**10.3**	**43.6**	**88.0**	**–**	**–**	**–**	**141.9**
Deposits by customers	**175.1**	**1,836.4**	**3,745.9**	**1,305.0**	**662.1**	**–**	**7,724.5**
Loans and overdrafts from banks	**31.8**	**20.1**	**228.0**	**262.0**	**110.0**	**–**	**651.9**
Debt securities in issue	**–**	**30.4**	**228.7**	**197.8**	**1,261.8**	**293.9**	**2,012.6**
At 31 July 2023	**217.2**	**1,930.5**	**4,290.6**	**1,764.8**	**2,033.9**	**293.9**	**10,530.9**

	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	6.1	52.0	102.4	–	–	–	160.5
Deposits by customers	120.9	1,645.2	3,615.6	1,058.8	329.9	–	6,770.4
Loans and overdrafts from banks	12.1	10.7	–	228.0	371.9	–	622.7
Debt securities in issue	–	26.7	855.3	249.4	567.0	362.5	2,060.9
At 31 July 2022	139.1	1,734.6	4,573.3	1,536.2	1,268.8	362.5	9,614.5

At 31 July 2023, the parent company held £250.5 million (31 July 2022: £251.5 million) of non-instalment debt securities in issue with an interest rate of 7.75% and a final maturity date of 2028.

As outlined in note 26(c) at 31 July 2023 the group accessed £600.0 million (31 July 2022: £600.0 million) and £5.0 million (31 July 2022: £nil) cash under the Bank of England's Term Funding Scheme with Additional Incentives for SMEs and Indexed Long-Term Repo respectively. Cash from these schemes is included within loans and overdrafts from banks. Residual maturities of the schemes 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 2023	**–**	**7.6**	**228.0**	**262.0**	**110.0**	**–**	**607.6**
At 31 July 2022	–	0.6	–	228.0	372.0	–	600.6

19. Subordinated Loan Capital

	Prepayment date	Initial interest rate	31 July 2023 £ million	31 July 2022 £ million
Final maturity date				
2031	2026	2.00%	**174.9**	186.5
			174.9	186.5

At 31 July 2023, the parent company held £200.4 million (31 July 2022: £200.1 million restated) of subordinated loan capital with an interest rate of 2.00% and a final maturity date of 2031.

20. Called Up Share Capital and Distributable Reserves

	31 July 2023		31 July 2022	
	million	**£ million**	million	£ million
Group and company				
Ordinary shares of 25p each (allotted, issued and fully paid)	**152.1**	**38.0**	152.1	38.0

At 31 July 2023, the company's reserves available for distribution under section 830(2) and 831(2) of the Companies Act 2006 were £401.9 million (2022: £436.2 million). The directors have applied the guidance provided by ICAEW TECH 02/17 in determining this.

Additional disclosures on the group's capital position and capital risk can be found on pages 99 to 100 in the Risk Report.

21. Guarantees, Commitments and Contingent Liabilities

Guarantees

	Group		Company	
	31 July 2023 £ million	31 July 2022 £ million	**31 July 2023 £ million**	31 July 2022 £ million
Earliest period in which guarantee could be called				
Within one year	**114.0**	109.3	**105.0**	106.0
More than one year	**3.2**	3.3	**–**	–
	117.2	112.6	**105.0**	106.0

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 2023 £ million	31 July 2022 £ million
Within one year[1]	**1,228.5**	1,223.4

1. Includes both revocable and irrevocable commitments.

Other commitments

Subsidiaries had contracted capital and other financial commitments of £80.6 million (2022: £119.7 million).

Operating lease commitments

During the year, the company recognised lease payments as an expense of £2.1 million (2022: £2.1 million). At 31 July 2023, the company had future minimum lease payments under non-cancellable operating leases relating to property of £2.1 million within one year, £8.3 million between one and five years, and £4.3 million after more than five years, totalling £14.7 million (31 July 2022: £2.1 million, £8.3 million, and £6.4 million respectively, totalling £16.8 million).

Contingent liabilities

Motor Finance commission arrangements

The Group has received a number of complaints, some of which are with the Financial Ombudsman Service, and is subject to a number of claims through the courts regarding historic commission arrangements with intermediaries on its Motor Finance products. This follows the FCA's Motor Market Review in 2019. Depending on the outcome of the court's rulings and/or regulatory findings on the matter, these complaints and claims may give rise to a potential future obligation to compensate customers. It is not currently possible to estimate the financial impact, if any, or scope of these or any future related claims.

The Notes continued

22. Related Party Transactions

Transactions with key management

Details of directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report.

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:

	2023 £ million	2022 £ million
Emoluments		
Salaries and fees	**5.7**	5.8
Benefits and allowances	**0.6**	0.5
Performance related awards in respect of the current year:		
Cash	**1.7**	3.1
Deferred	**–**	0.8
	8.0	10.2
Share-based awards	**(0.9)**	2.3
	7.1	12.5

Gains upon exercise of options by key management personnel, expensed to the income statement in previous years, totalled £1.4 million (2022: £1.1 million).

Key management have banking and asset management relationships with group entities which are entered into in the normal course of business. Amounts included in deposits by customers at 31 July 2023 attributable, in aggregate, to key management were £0.5 million (31 July 2022: £0.2 million).

23. 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 £16.5 million (2022: £16.9 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.

During the year, the scheme entered into a buy-in transaction with an insurance company covering all members of the scheme. A buy-in is a bulk annuity policy that matches the scheme's assets and liabilities. It represents a significant de-risking of the investment portfolio and hence a significant reduction in the group's long-term exposure to pension funding risk. As a result of this transaction, the pension surplus on the group's balance sheet has fallen to £1.3 million (31 July 2022: £7.2 million) relating to the cash held by the scheme, with the fair value of the insurance policy matched to the fair value of the scheme's liabilities, which remains subject to changes in actuarial valuations as presented in this note. The loss of the pension surplus represents the one-off premium paid for the insurance policy and is recognised within other comprehensive income.

The scheme was closed to new entrants in August 1996 and closed to further accrual during 2012. At 31 July 2023 this scheme had 24 (31 July 2022: 26) deferred members, 56 (31 July 2022: 54) pensioners and dependants and 8 (31 July 2022: 8) insured annuitants.

Funding position

The scheme's most recent triennial actuarial valuation at 31 July 2021 showed that the scheme was fully funded. As such, no further contributions are scheduled.

IAS 19 valuation

The following disclosures are reported in accordance with IAS 19. Significant actuarial assumptions are as follows:

	2023 %	2022 %
Inflation rate (Retail Price Index)	**3.5**	3.5
Inflation rate (Consumer Price Index)	**3.1**	3.1
Discount rate for scheme liabilities[1]	**5.2**	3.4
Expected interest/expected long-term return on plan assets	**5.2**	3.4
Mortality assumptions[2]:		
Existing pensioners from age 65, life expectancy (years):		
Men	**23.0**	23.5
Women	**24.8**	25.3
Non-retired members currently aged 50, life expectancy from age 65 (years):		
Men	**23.7**	24.3
Women	**26.1**	26.6

1. Based on market yields at 31 July 2023 and 2022 on high quality sterling-denominated corporate bonds, adjusted to be consistent with the estimated term of the post-employment benefit obligation, using the Willis Towers Watson model "Global RATE:Link".
2. Based on standard tables SAPS S2 Light (2022: SAPS S2 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 2022 (2022: CMI 2020) core projection model with a long-term trend of 1.5% per annum.

The scheme has been accounted for in the company and the surplus has been recognised as an asset on the company and group's balance sheet within "Trade and other receivables".

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, and accordingly the scheme surplus is recognised on the consolidated balance sheet.

	2023 £ million	2022 £ million	2021 £ million	2020 £ million	2019 £ million
Fair value of scheme assets[1]:					
Equities	**–**	–	9.4	14.0	13.1
Bonds	**–**	30.3	33.6	32.3	29.9
Cash	**1.4**	3.5	0.2	0.3	0.2
Insured annuities	**22.4**	1.0	–	–	–
Total assets	**23.8**	34.8	43.2	46.6	43.2
Fair value of liabilities	**(22.5)**	(27.6)	(35.6)	(39.2)	(36.5)
Surplus	**1.3**	7.2	7.6	7.4	6.7

1. There are no amounts included within the fair value of scheme assets relating to the financial instruments of Close Brothers Group plc.

Movement in the present value of scheme liabilities during the year:

	2023 £ million	2022 £ million
Carrying amount at 1 August	**(27.6)**	(35.6)
Interest expense	**(0.9)**	(0.6)
Benefits paid	**1.1**	1.0
Actuarial gain	**4.9**	8.6
Other	**–**	(1.0)
Carrying amount at 31 July	**(22.5)**	(27.6)

The Notes continued

23. Pensions (continued)

Movement in the fair value of scheme assets during the year:

	2023 £ million	2022 £ million
Carrying amount at 1 August	**34.8**	43.2
Interest income	**1.1**	0.7
Benefits paid	**(1.1)**	(1.0)
Administrative costs	**(0.4)**	(0.4)
Return on assets excluding interest income	**(10.6)**	(8.7)
Other	**–**	1.0
Carrying amount at 31 July	**23.8**	34.8

Historical experience of actuarial gains/(losses) are shown below:

	2023 £ million	2022 £ million	2021 £ million	2020 £ million	2019 £ million
Experience (losses)/gains on scheme assets	**(10.6)**	(8.7)	1.9	4.1	3.3
Experience (losses)/gains on scheme liabilities	**(0.9)**	0.4	–	–	1.3
Impact of changes in assumptions	**5.8**	8.2	(1.4)	(3.2)	(2.7)
Total actuarial changes in liabilities	**4.9**	8.6	(1.4)	(3.2)	(1.4)
Total actuarial (losses)/gains	**(5.7)**	(0.1)	0.5	0.9	1.9

Total actuarial losses have been recognised in other comprehensive income. Income of £0.2 million (2022: £0.1 million) from the interest on the scheme surplus has been recognised within administrative expenses in the consolidated income statement. The group's policy is not to allocate the net defined benefit cost between group entities participating in the scheme.

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 2023 and 2022 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.

		Impact on defined benefit obligation increase/(decrease)			
		2023		2022	
Key assumption	Sensitivity	%	£ million	%	£ million
Discount rate	0.25% decrease/(increase)	**2.9**	**0.7**	(3.2)	(0.9)
Price inflation	0.25% increase	**1.1**	**0.3**	1.6	0.4
Mortality	Increase in life expectancy at age 65 by one year	**2.6**	**0.6**	3.0	0.8

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): The scheme's unquoted assets are invested 6% in cash and 94% in insured annuities (31 July 2022: 87% quoted bonds, 10% cash and 3% insured annuities) and the scheme's liabilities are measured with reference to corporate bond yields. The performance 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 12 years (2022: 14 years).

24. Share-based Awards

The Save As You Earn ("SAYE"), Long Term Incentive Plan ("LTIP") and Deferred Share Awards ("DSA") share-based awards have been granted under the group's share schemes. The general terms and conditions for these share-based awards are described on pages 186 to 188 in the Directors' Remuneration Report.

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 2023, 1.6 million (31 July 2022: 1.6 million) and 1.5 million (31 July 2022: 1.4 million) of these shares were held respectively and in total £40.0 million (2022: £40.6 million) was recognised within the share-based payments reserve. During the year £5.6 million (2022: £4.9 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 £8.0 million (2022: £11.4 million). The share-based awards charge of £2.0 million (2022: £4.9 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:

	SAYE		LTIP		DSA	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 August 2021	2,236,005	–	1,253,774	–	547,498	–
Granted	420,863	1,042.6p	326,540	–	196,576	–
Exercised	(71,478)	1,180.6p	(19,549)	–	(267,051)	–
Forfeited	(288,729)	969.8p	(13,274)	–	(10,211)	–
Lapsed	(26,290)	1,158.8p	(189,633)	–	8,191	–
At 31 July 2022	**2,270,371**	**–**	**1,357,858**	**–**	**475,003**	**–**
Granted	**1,736,479**	**725.6p**	**397,568**	**–**	**262,402**	**–**
Exercised	**(103,625)**	**875.0p**	**(87,172)**	**–**	**(243,451)**	**–**
Forfeited	**(967,425)**	**863.9p**	**(137,965)**	**–**	**–**	**–**
Lapsed	**(131,073)**	**1,118.9p**	**(177,449)**	**–**	**(2,006)**	**–**
At 31 July 2023	**2,804,727**	**–**	**1,352,840**	**–**	**491,948**	**–**
Exercisable at:						
31 July 2023	**280,152**	**893.8p**	**184,521**	**–**	**40,656**	**–**
31 July 2022	48,978	1,184.4p	202,528	–	74,008	–

The table below shows the weighted average market price at the date of exercise:

	2023	2022
SAYE	**950.9p**	1,319.2p
LTIP	**1,022.5p**	1,460.4p
DSA	**994.5p**	1,402.9p

The Notes continued

24. Share-based Awards (continued)

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2023 Options outstanding		2022 Options outstanding	
	Number outstanding	**Weighted average remaining contractual life Years**	Number outstanding	Weighted average remaining contractual life Years
SAYE				
Between £7 and £8	**2,269,108**	**2.8**	1,131,601	2.6
Between £8 and £9	**328,704**	**0.7**	525,818	1.7
Between £9 and £10	**101,476**	**2.7**	282,400	3.7
Between £10 and £11	**15,928**	**1.5**	102,790	1.3
Between £11 and £12	**8,284**	**0.8**	70,081	0.9
Between £12 and £13	**51,346**	**2.2**	94,729	2.9
Between £13 and £14	**29,881**	**1.8**	62,952	2.7
LTIP				
Nil	**1,352,840**	**3.3**	1,357,858	3.4
DSA				
Nil	**491,948**	**1.7**	475,003	1.6
Total	**4,649,515**	**2.7**	4,103,232	2.6

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2023 was 395.7p (31 July 2022: 928.8p). The main assumptions for the valuation of these share-based awards comprised:

At 31 July 2023 Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 December 2025 to 31 May 2026	918.8p	735.0p	36.0%	3	7.2%	3.6%
1 December 2027 to 31 May 2028	918.8p	735.0p	31.0%	5	7.2%	4.0%
1 June 2026 to 30 November 2026	896.3p	717.0p	33.0%	3	7.0%	3.7%
1 June 2028 to 30 November 2028	896.3p	717.0p	32.0%	5	7.0%	3.6%
LTIP						
11 October 2025 to 10 October 2026	1,110.0p	–	36.0%	3	7.2%	3.6%
11 October 2026 to 10 October 2027	923.0p	–	33.0%	4	7.2%	3.6%
DSA						
10 October 2024 to 9 October 2025	923.1p	–	–	–	–	–
28 September 2023 to 26 September 2024	965.0p	–	–	–	–	–
21 September 2023 to 19 September 2024	965.0p	–	–	–	–	–
28 September 2024 to 27 September 2025	965.0p	–	–	–	–	–
29 September 2025 to 27 September 2026	965.0p	–	–	–	–	–

At 31 July 2022 Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 December 2024 to 31 May 2025	1,551.3p	1,241.0p	32.0%	3	4.1%	0.6%
1 December 2026 to 31 May 2027	1,551.3p	1,241.0p	28.0%	5	4.1%	0.7%
1 June 2025 to 30 November 2025	1,195.0p	956.0p	34.0%	3	5.1%	1.8%
1 June 2027 to 30 November 2027	1,195.0p	956.0p	30.0%	5	5.1%	1.8%
LTIP						
11 October 2024 to 10 October 2027	1,545.8p	–	32.0%	3	4.1%	0.6%
DSA						
5 October 2022 to 5 October 2024	1,545.8p	–	–	–	–	–
5 October 2024 to 5 October 2025	1,545.8p	–	–	–	–	–
22 March 2024 to 21 March 2025	1,192.0p	–	–	–	–	–
1 March 2025 to 28 February 2026	1,297.0p	–	–	–	–	–

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant.

25. Consolidated Cash Flow Statement Reconciliation

	2023 £ million	2022 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit before tax	**112.0**	232.8
Tax paid	**(7.4)**	(63.4)
Depreciation, amortisation and impairment	**108.2**	100.3
Impairment losses on financial assets	**204.1**	103.3
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**(6.8)**	19.8
Net settlement balances and trading positions	**(11.4)**	17.2
Net loans from money brokers against stock advanced	**15.6**	2.7
Decrease in interest payable and accrued expenses	**(16.5)**	(32.2)
Net cash inflow from trading activities	**397.8**	380.5
Cash (outflow)/inflow arising from changes in:		
Loans and advances to banks not repayable on demand	**(21.1)**	(5.3)
Loans and advances to customers	**(584.3)**	(515.0)
Assets let under operating leases	**(73.2)**	(54.5)
Certificates of deposit	**185.0**	79.7
Sovereign and central bank debt	**191.2**	(255.3)
Covered bonds	**(105.4)**	–
Deposits by banks	**(22.1)**	11.8
Deposits by customers	**942.5**	142.7
Loans and overdrafts from banks	**29.2**	110.0
Debt securities in issue (net)	**14.4**	270.5
Derivative financial instruments (net)	**70.4**	–
Other assets less other liabilities	**(3.0)**	(6.4)
Net cash inflow from operating activities	**1,021.4**	158.7
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries and non-controlling interests		
Cash consideration paid	**(0.5)**	(0.1)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries		
Cash consideration received	**–**	0.1
(d) Analysis of cash and cash equivalents[1]		
Cash and balances at central banks	**1,918.4**	1,236.0
Loans and advances to banks	**290.9**	147.0
At 31 July	**2,209.3**	1,383.0

1. Excludes £58.0 million (2022: £37.1 million) of Bank of England and other cash reserve accounts.

During the year ended 31 July 2023, the non-cash changes on debt financing amounted to £0.9 million (31 July 2022: £9.6 million) arising largely from interest accretions and fair value hedging movements.

The Notes continued

26. Financial Risk Management

The group faces a number of risks in the normal course of its business. To manage these effectively, a consistent approach is adopted based on a set of overarching principles, namely:

- adhering to our established and proven business model;
- implementing an integrated risk management approach based on the concept of three lines of defence; and
- setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

The group's Enterprise Risk Management Framework details the core risk management components and structures, and defines a consistent and measurable approach to identifying, assessing, controlling and mitigating, reviewing and monitoring, and reporting risk.

The board retains overall responsibility for overseeing the maintenance of a system of internal control, which ensures that an effective risk management framework and oversight process operate across the group, while risk management across the group is overseen by the Risk Committee.

The Risk Report provides more information on the group's approach to 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.

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 IFRS 9.

	Derivatives designated as hedging instruments £ million	Fair value through profit and loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2023					
Assets					
Cash and balances at central banks	–	–	–	1,937.0	1,937.0
Settlement balances	–	–	–	707.0	707.0
Loans and advances to banks	–	–	–	330.3	330.3
Loans and advances to customers	–	–	–	9,255.0	9,255.0
Debt securities	–	15.2	292.4	–	307.6
Equity shares	–	29.3	–	–	29.3
Loans to money brokers against stock advanced	–	–	–	37.6	37.6
Derivative financial instruments	50.7	37.8	–	–	88.5
Other financial assets	–	2.0	–	93.5	95.5
	50.7	84.3	292.4	12,360.4	12,787.8
Liabilities					
Settlement balances and short positions	–	9.9	–	686.0	695.9
Deposits by banks	–	–	–	141.9	141.9
Deposits by customers	–	–	–	7,724.5	7,724.5
Loans and overdrafts from banks	–	–	–	651.9	651.9
Debt securities in issue	–	–	–	2,012.6	2,012.6
Loans from money brokers against stock advanced	–	–	–	4.8	4.8
Subordinated loan capital	–	–	–	174.9	174.9
Derivative financial instruments	176.2	19.7	–	–	195.9
Other financial liabilities	–	–	–	199.2	199.2
	176.2	29.6	–	11,595.8	11,801.6

	Derivatives designated as hedging instruments £ million	Fair value through profit and loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2022					
Assets					
Cash and balances at central banks	–	–	–	1,254.7	1,254.7
Settlement balances	–	–	–	799.3	799.3
Loans and advances to banks	–	–	–	165.4	165.4
Loans and advances to customers	–	–	–	8,858.9	8,858.9
Debt securities	–	12.4	415.4	185.0	612.8
Equity shares	–	28.4	–	–	28.4
Loans to money brokers against stock advanced	–	–	–	48.4	48.4
Derivative financial instruments	61.5	9.7	–	–	71.2
Other financial assets	–	1.7	–	82.6	84.3
	61.5	52.2	415.4	11,394.3	11,923.4
Liabilities					
Settlement balances and short positions	–	15.4	–	780.7	796.1
Deposits by banks	–	–	–	160.5	160.5
Deposits by customers	–	–	–	6,770.4	6,770.4
Loans and overdrafts from banks	–	–	–	622.7	622.7
Debt securities in issue	–	–	–	2,060.9	2,060.9
Loans from money brokers against stock advanced	–	–	–	–	–
Subordinated loan capital	–	–	–	186.5	186.5
Derivative financial instruments	83.9	5.3	–	–	89.2
Other financial liabilities	–	–	–	184.2	184.2
	83.9	20.7	–	10,765.9	10,870.5

(b) Valuation

The fair values of the group's subordinated loan capital and debt securities in issue are set out below.

	31 July 2023		31 July 2022	
	Fair value £ million	**Carrying value £ million**	Fair value £ million	Carrying value £ million
Subordinated loan capital	**165.8**	**174.9**	180.0	186.5
Debt securities in issue	**2,008.0**	**2,012.6**	2,071.4	2,060.9

The fair value of gross loans and advances to customers at 31 July 2023 is estimated to be £9,046.2 million (carrying value: £9,255.0 million). The fair value of deposits by customers is estimated to be £7,668.7 million (carrying value: £7,724.5 million). These estimates are based on highly simplified assumptions and inputs and may differ to actual amounts received or paid. The differences between fair value and carrying value are not considered to be significant, and are consistent with management's expectations given the nature of the Banking business and the short average tenor of the instruments. However, the differences have increased in comparison to the prior year in line with market interest rates.

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 quoted prices in less active markets for identical assets or liabilities or those derived from inputs other than quoted prices 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").

Instruments classified as Level 1 predominantly comprise sovereign and central bank debt, covered bonds and liquid listed debt securities. The fair value of these instruments is derived from quoted prices in active markets.

The Notes continued

26. Financial Risk Management (continued)

Instruments classified as Level 2 predominantly comprise less liquid listed equity shares, investment grade corporate bonds and over-the-counter derivatives. The fair value of equity shares and bonds are derived from quoted prices in less active markets in comparison to level 1. Over-the-counter derivatives largely relate to interest rate and exchange rate contracts (see note 13 for further information). The valuation of such derivatives includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates.

Instruments classified as Level 3 predominantly comprise over-the-counter derivatives, which is new this year, and contingent consideration payable and receivable in relation to the acquisition and disposal of subsidiaries.

The valuation of Level 3 derivatives is similar to Level 2 derivatives and includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates. The fair value of contingent consideration is determined on a discounted expected cash flow basis. 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.

During the year, £1.6 million of derivative financial assets and £1.8 million of derivative financial liabilities were transferred from Level 2 to 3. There were no other significant transfers between Level 1, 2 and 3 in 2023 and 2022.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy.

	Level 1 £ million	**Level 2 £ million**	**Level 3 £ million**	**Total £ million**
At 31 July 2023				
Assets				
Debt securities:				
Long trading positions in debt securities	**13.6**	**1.6**	**–**	**15.2**
Sovereign and central bank debt	**186.1**	**–**	**–**	**186.1**
Covered bonds	**106.3**	**–**	**–**	**106.3**
Equity shares	**3.9**	**25.1**	**0.3**	**29.3**
Derivative financial instruments	**–**	**77.4**	**11.1**	**88.5**
Contingent consideration	**–**	**–**	**2.0**	**2.0**
	309.9	**104.1**	**13.4**	**427.4**
Liabilities				
Short positions:				
Debt securities	**2.3**	**1.2**	**–**	**3.5**
Equity shares	**1.7**	**4.6**	**0.1**	**6.4**
Derivative financial instruments	**–**	**184.7**	**11.2**	**195.9**
Contingent consideration	**–**	**–**	**2.8**	**2.8**
	4.0	**190.5**	**14.1**	**208.6**

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2022				
Assets				
Debt securities:				
Long trading positions in debt securities	11.0	1.4	–	12.4
Sovereign and central bank debt	415.4	–	–	415.4
Covered bonds	–	–	–	–
Equity shares	4.1	24.0	0.3	28.4
Derivative financial instruments	–	71.2	–	71.2
Contingent consideration	–	–	1.7	1.7
	430.5	96.6	2.0	529.1
Liabilities				
Short positions:				
Debt securities	5.8	1.7	–	7.5
Equity shares	2.2	5.6	0.1	7.9
Derivative financial instruments	–	89.2	–	89.2
Contingent consideration	–	–	3.0	3.0
	8.0	96.5	3.1	107.6

Movements in financial instruments categorised as Level 3 were:

	Derivative financial assets £ million	Derivative financial liabilities £ million	Equity shares £ million	Contingent consideration £ million	Total £ million
At 1 August 2021	–	–	0.3	(2.9)	(2.6)
Total losses recognised in the consolidated income statement	–	–	–	(0.2)	(0.2)
Purchases, issues and transfers in	–	–	–	1.8	1.8
Sales, settlements and transfers out	–	–	(0.1)	–	(0.1)
At 31 July 2022	–	–	0.2	(1.3)	(1.1)
Total losses recognised in the consolidated income statement	9.5	(9.4)	–	(0.1)	–
Purchases, issues and transfers in	1.6	(1.8)	–	0.6	0.4
Sales, settlements and transfers out	–	–	–	–	–
At 31 July 2023	**11.1**	**(11.2)**	**0.2**	**(0.8)**	**(0.7)**

There were no overall gains or losses recognised in the consolidated income statement relating to level 3 instruments held at the year end (2022: £0.2 million loss).

(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 as they fall due. Credit risk across the group mainly arises through the lending and treasury activities of the Banking division.

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. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	31 July 2023 £ million	31 July 2022 £ million
On balance sheet		
Cash and balances at central banks	**1,937.0**	1,254.7
Settlement balances	**707.0**	799.3
Loans and advances to banks	**330.3**	165.4
Loans and advances to customers	**9,255.0**	8,858.9
Debt securities	**307.6**	612.8
Loans to money brokers against stock advanced	**37.6**	48.4
Derivative financial instruments	**88.5**	71.2
Other financial assets	**95.5**	84.3
	12,758.5	11,895.0
Off balance sheet		
Irrevocable undrawn commitments	**263.9**	277.8
Total maximum exposure to credit risk	**13,022.4**	12,172.8

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 borrowing contracts.

The group is a participant of the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME") and the Indexed Long-Term Repo ("ILTR").

The Notes continued

26. Financial Risk Management (continued)

Under these schemes, asset finance loan receivables of £863.4 million (31 July 2022: £626.1 million), UK gilts with a market value of £nil (31 July 2022: £72.6 million), UK T-Bills with a market value of £nil (31 July 2022: £144.3 million) and retained notes relating to Motor Finance loan receivables of £83.4 million (31 July 2022: £24.3 million) were positioned as collateral with the Bank of England, against which £600.0 million (31 July 2022: £600.0 million) of cash was drawn from the TFSME and £5.0 million (31 July 2022: £nil) from the ILTR.

The term of the TFSME transactions is four years from the date of each drawdown but the group may choose to repay earlier at its discretion. The term of the ILTR transaction is six months and cannot be repaid earlier. The risks and rewards of the loan receivables remain with the group and continue to be recognised in loans and advances to customers on the consolidated balance sheet.

The group has securitised without recourse and restrictions £1,436.3 million (31 July 2022: £1,626.8 million) of its insurance premium and motor loan receivables in return for cash and asset-backed securities in issue of £1,187.4 million (31 July 2022: £1,156.0 million restated). This includes the £83.4 million (31 July 2022: £24.3 million) retained notes positioned as collateral with the Bank of England. 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 on its consolidated balance sheet.

The majority of loans and advances to customers are secured against specific assets. 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

The group's approach to managing credit risk relating to loans and advances to customers is set out on pages 104 to 105 in the Risk Report.

Information on the group's internal credit risk reporting can be found on pages 114 to 115 in the Risk Report, including an analysis of gross loans and advances to customers, trade receivables and undrawn facilities by the group's internal credit risk grading.

Information on the collateral held in relation to loans and advances to customers can be found on pages 117 to 118 in the Risk Report, including analyses of gross loans and advances to customers by LTV ratio.

Financial assets: Treasury assets

The credit risk presented by the group's treasury assets is low. Immaterial impairment provisions are recognised for cash and balances at central banks, certificates of deposit and sovereign and central bank debt. These financial assets are investment grade and in Stage 1.

Financial assets: Settlement balances and loans to money brokers against stock advanced

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.

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.

Loans to money brokers against stock advanced of £37.6 million (31 July 2022: £48.4 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 credit risk of this financial asset is therefore limited.

The following table shows the ageing of settlement balances:

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Impairment provisions £ million	Total £ million
At 31 July 2023					
Not past due	**622.1**	**–**	**–**	**–**	**622.1**
Less than 30 days past due	**83.9**	**–**	**–**	**–**	**83.9**
More than 30 days but less than 90 days past due	**–**	**0.6**	**–**	**–**	**0.6**
More than 90 days past due	**–**	**–**	**0.5**	**(0.1)**	**0.4**
	706.0	**0.6**	**0.5**	**(0.1)**	**707.0**

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Impairment provisions £ million	Total £ million
At 31 July 2022					
Not past due	726.0	–	–	–	726.0
Less than 30 days past due	70.6	–	–	–	70.6
More than 30 days but less than 90 days past due	–	1.4	–	–	1.4
More than 90 days past due	–	–	1.5	(0.2)	1.3
	796.6	1.4	1.5	(0.2)	799.3

Company financial assets: Amounts owed by subsidiaries

Amounts owed by subsidiaries on the company balance sheet largely relate to Close Brothers Limited and Close Brothers Holdings Limited, and the credit risk presented by these financial assets is immaterial.

(d) Market risk

Interest rate risk

Additional disclosures on the group's interest rate risk can be found on pages 123 to 124 in the Risk Report.

Interest rate benchmark reform

In the prior year, the group completed the transition away from the use of LIBOR to alternative benchmark rates in loan documentation, treasury transactions and other forms of contract. At 31 July 2021, loans and advances to customers amounting to £995.5 million and derivatives with a notional value of £84.7 million were yet to transition to an alternative benchmark rate. The transition was subsequently completed by 31 December 2021 in compliance with the requirements set by the Prudential Regulation Authority and Financial Conduct Authority. There were no significant changes to the nature of the risks arising from financial instruments to which the group is exposed as a result of the transition.

Foreign exchange risk

Additional disclosures on the group's foreign exchange risk can be found on page 124 in the Risk Report.

Market price risk

Trading financial instruments: Equity shares and debt securities
The group's trading activities relate to Winterflood. Additional disclosures on Winterflood's market price risk can be found on pages 129 to 130 of the Risk Report.

Non-trading financial instruments

Net gains and losses on non-trading financial instruments are disclosed in notes 12 and 13.

The Notes continued

26. Financial Risk Management (continued)

(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 following table analyses the contractual maturities of the group's on balance sheet financial liabilities on an undiscounted cash flow basis. Additional disclosures on the group's liquidity risk can be found on page 120 of the Risk Report.

	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 2023							
Settlement balances	**–**	**686.0**	**–**	**–**	**–**	**–**	**686.0**
Deposits by banks	**10.3**	**43.7**	**89.7**	**–**	**–**	**–**	**143.7**
Deposits by customers	**175.1**	**1,838.3**	**1,972.9**	**1,869.6**	**2,140.6**	**–**	**7,996.5**
Loans and overdrafts from banks	**31.8**	**25.2**	**7.6**	**243.8**	**383.2**	**–**	**691.6**
Debt securities in issue	**–**	**46.7**	**132.3**	**168.1**	**1,705.1**	**416.3**	**2,468.5**
Loans from money brokers against stock advanced	**4.8**	**–**	**–**	**–**	**–**	**–**	**4.8**
Subordinated loan capital	**–**	**2.0**	**–**	**2.0**	**16.0**	**213.0**	**233.0**
Derivative financial instruments	**0.2**	**21.7**	**23.5**	**39.0**	**167.6**	**73.0**	**325.0**
Lease liabilities	**0.2**	**4.8**	**4.1**	**6.9**	**26.7**	**19.6**	**62.3**
Other financial liabilities	**20.3**	**111.6**	**0.9**	**10.6**	**28.0**	**8.7**	**180.1**
Total	**242.7**	**2,780.0**	**2,231.0**	**2,340.0**	**4,467.2**	**730.6**	**12,791.5**

	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 2022							
Settlement balances	–	780.7	–	–	–	–	780.7
Deposits by banks	6.0	51.9	98.9	4.1	–	–	160.9
Deposits by customers	120.9	1,645.1	2,046.5	1,600.1	1,427.2	–	6,839.8
Loans and overdrafts from banks	12.0	12.0	1.9	3.7	610.5	–	640.1
Debt securities in issue	–	30.3	256.2	619.5	890.7	444.2	2,240.9
Loans from money brokers against stock advanced	–	–	–	–	–	–	–
Subordinated loan capital	–	2.0	–	2.0	15.0	218.0	237.0
Derivative financial instruments	–	6.4	9.0	16.0	89.0	55.6	176.0
Lease liabilities	0.2	4.2	3.6	7.3	33.9	11.8	61.0
Other financial liabilities	16.1	124.6	5.3	6.8	34.4	7.0	194.2
Total	155.2	2,657.2	2,421.4	2,259.5	3,100.7	736.6	11,330.6

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 2023	**41.2**	**153.9**	**26.0**	**39.4**	**167.5**	**73.0**	**501.0**
At 31 July 2022	1.7	69.8	9.0	16.0	88.9	55.6	241.0

(f) Offsetting

The following table shows the impact on derivative financial assets and liabilities which have not been offset but for which the group has enforceable master netting arrangements in place with counterparties. The net amounts show the exposure to counterparty credit risk after offsetting benefits and collateral, and are not intended to represent the group's actual exposure to credit risk.

Master netting arrangements allow outstanding transactions with the same counterparty to be offset and settled net, either unconditionally or following a default or other predetermined event. Financial collateral on derivative financial instruments consists of cash settled, typically daily, to mitigate the mark to market exposures.

	Gross amounts recognised £ million	Master netting arrangements £ million	Financial collateral £ million	Net amounts after offsetting £ million
At 31 July 2023				
Derivative financial assets	**88.5**	**(77.1)**	**–**	**11.4**
Derivative financial liabilities	**195.9**	**(77.1)**	**(144.0)**	**(25.2)**
At 31 July 2022				
Derivative financial assets	71.2	(69.1)	(0.5)	1.5
Derivative financial liabilities	89.2	(69.1)	(26.9)	(6.8)

27. Interest in Unconsolidated Structured Entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

The group has interests in structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients as part of its Asset Management division. These structured entities consist of unitised vehicles such as Authorised Unit Trusts ("AUTs") and Open Ended Investment Companies ("OEICs") which entitle investors to a percentage of the vehicle's net asset value. The structured entities are financed by the purchase of units or shares by investors. The group does not hold direct investments in its structured entities.

As fund manager, the group does not guarantee returns on its funds or commit to financially support its funds. The business activity of all structured entities is the management of assets in order to maximise investment returns for investors from capital appreciation and/or investment income. The group earns a management fee from its structured entities, based on a percentage of the entity's net asset value.

The main risk the group faces from its interest in assets under management on behalf of external investors is the loss of fee income as a result of the withdrawal of funds by clients. Outflows from funds are dependent on market sentiment, asset performance and investor considerations. The assets under management of unconsolidated structured entities managed by the group were £5,111.0 million at 31 July 2023 (31 July 2022: £5,091.0 million). Included in revenue on the consolidated income statement is management fee income of £33.7 million (2022: £36.7 million) from unconsolidated structured entities managed by the group.

The Notes continued

28. 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 2023, which are all wholly owned and incorporated in the UK unless otherwise stated.

The investment in subsidiary of £287.0 million (31 July 2022: £287.0 million) in the company balance sheet relates to an investment in Close Brothers Holdings Limited. There was no impairment of this investment during the current and prior year.

On 20 September 2023, the group announced that it reached an agreement to acquire Bluestone Motor Finance (Ireland) DAC, a provider of motor finance in Ireland. The transaction is expected to complete in Q4 of the 2023 calendar year.

Group

Close Brothers Holdings Limited[1]

Banking

Air and General Finance Limited[2]
Arrow Audit Services Limited[1]
Brook Funding (No.1) Limited[10, 19]
Capital Lease Solutions Limited[4]
Close Asset Finance Limited[2]
Close Brewery Rentals Limited[5]
Close Brothers Asset Finance GmbH[13] (Germany)
Close Brothers DAC[16] (Ireland)
Close Brothers Factoring GmbH[13] (Germany)
Close Brothers Finance plc[1]
Close Brothers Limited[1]
Close Brothers Premium DAC[16] (Ireland)
Close Brothers Technology Services Limited[1]
Close Brothers Vehicle Hire Limited[12]
Close Business Finance Limited[2]
Close Credit Management (Holdings) Limited[1]
Close Finance (CI) Limited[14] (Jersey)
Close Invoice Finance Limited[1]
Close Leasing Limited[11]
Close PF Funding I Limited[9, 19]
Commercial Acceptances Limited[6]
Commercial Finance Credit Limited[2]
Corporate Asset Solutions Limited[1]
Finance for Industry Limited[1]
Finance for Industry Services Limited[1]
Kingston Asset Finance Limited[2]
Kingston Asset Leasing Ltd.[2]
Novitas Loans Limited[2]
Novitas (Salisbury) Limited[2]
Orbita Funding 2017-1 plc[18, 19]
Orbita Funding 2020-1 plc[10, 19]
Orbita Funding 2022-1 plc[9, 19]
Orbita Holdings Limited[10, 19]
Orbita Holdings no.2 Limited[9, 19]
Surrey Asset Finance Limited[2]

Securities

W.S. (Nominees) Limited[3]
Winterflood Client Nominees Limited[3]
Winterflood Gilts Limited[3]
Winterflood Securities Holdings Limited[3]
Winterflood Securities Limited[3]
Winterflood Securities US Corporation[15] (Delaware, USA)

Asset Management

Cavanagh Financial Management Limited[7]
CBF Wealth Management Limited[1]
CFSL Management Limited[1]
Close Asset Management Holdings Limited[1]
Close Asset Management Limited[1]
Close Asset Management (UK) Limited[1]
Close Brothers Asset Management (Guernsey) Limited[17] (Guernsey)
Close Investments Limited[1]
Close Portfolio Management Limited[1]
EOS Wealth Management Limited[1]
Lion Nominees Limited[1]
Place Campbell Close Brothers Limited[8] (joint venture with 50% shareholding)
PMN Financial Management LLP[1]

Registered office addresses:

1. 10 Crown Place, London EC2A 4FT, United Kingdom.
2. Wimbledon Bridge House, Hartfield Road, Wimbledon, London SW19 3RU, United Kingdom.
3. The Atrium Building Cannon Bridge, 25 Dowgate Hill, London EC4R 2GA, United Kingdom.
4. 30 Finsbury Square, London EC2A 1AG, United Kingdom.
5. Unit 1, Kingfisher Park, Headlands Business Park, Ringwood, Hampshire BH24 3NX, United Kingdom.
6. 101 Wigmore Street, London W1U 1QU, United Kingdom.
7. 60 Melville Street, Edinburgh EH3 7HF, United Kingdom.
8. Wilmington House, High Street, East Grinstead, West Sussex RH19 3AU, United Kingdom.
9. 10th Floor, 5 Churchill Place, London E14 5HU, United Kingdom.
10. 1 Bartholomew Lane, London EC2N 2AX, United Kingdom.
11. Olympic Court Third Avenue, Trafford Park Village, Manchester M17 1AP, United Kingdom.
12. Lows Lane, Stanton-By-Dale, Ilkeston, Derbyshire DE7 4QU, United Kingdom.
13. Grosse Bleiche 35-39, 55116, Mainz, Germany.
14. Conway House, Conway Street, St Helier JE4 5SR, Jersey.
15. 1209 Orange Street, Wilmington 19801, New Castle, Delaware, USA.
16. Swift Square, Building 1, Santry Demesne, Northwood, Dublin, DO9 AOE4, Ireland.
17. PO Box 186, Royal Chambers, St Julian's Avenue, St Peter Port GY1 4HP, Guernsey.
18. 40a Station Road, Upminster, Essex RM14 2TR, United Kingdom.

Subsidiaries by virtue of control:

19. The related undertakings are included in the consolidated financial statements as they are controlled by the group.