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Press Release

Close Brothers Group plc announcement of Preliminary Results for the year ended 31 July 2010

Embargoed for release at 7.00am on 28 September 2010

Close Brothers reports a good result for the year

- Adjusted operating profit growth of 7% to £121.3 million
- Adjusted EPS growth of 1% to 61.3p
- Maintained dividend at 39.0p per share
- The group remains strongly capitalised with core tier 1 capital ratio of 13.9%
- Very strong result from the Banking division with 23% loan book growth to £2.9 billion (31 July 2009: £2.4 billion)
- Good performance from the Securities division with 3% improvement in adjusted operating profit at Winterflood to £48.7 million (2009: £47.3 million)
- The Asset Management division had a subdued performance as it invests to create a high growth UK wealth and asset management business

Financial Highlights

for the year ended 31 July	**2010**	2009
Adjusted operating profit[1] (continuing operations)	**£121.3m**	£113.7m
Adjusted earnings per share[2] (continuing operations)	**61.3p**	60.5p
Operating profit before tax (continuing operations)	**£99.3m**	£88.3m
Basic earnings per share (continuing operations)	**46.0p**	43.6p
Basic earnings per share (continuing and discontinued operations)	**46.0p**	50.5p
Ordinary dividend per share	**39.0p**	39.0p
Total equity	**£754.4m**	£697.7m
Core tier 1 capital ratio	**13.9%**	14.8%

[1]Adjusted operating profit is before exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition.
[2]Adjusted earnings per share is before exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition and the tax effect of such adjustments.

Preben Prebensen, Chief Executive, commenting on the results said:

"Close Brothers delivered a good result for the year with very strong performance from the Banking division on a record closing loan book. The Securities division's result was driven by Winterflood, which had a good performance on increased volumes and Asset Management now has a clear strategy in UK wealth and asset management. Overall our businesses are well positioned for future growth opportunities."

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A presentation to analysts and investors will be held at 9.30 am BST at our offices at 10 Crown Place, London EC2A 4FT. A listen-only dial-in facility will be available by dialling 0845 356 5007, or +44 203 003 2666, password "Results". A recording of this call will be available for replay for two weeks by dialling 0121 260 4861, access code 2809101.

OVERVIEW

Chairman's and Chief Executive's Statement

Close Brothers Group has achieved a good overall performance for the year.

The Banking division delivered a very strong result as it strengthened its leading position in its specialised lending businesses to deliver a record closing loan book and the division's highest profit contribution to date. There was a continued good contribution by Securities driven by the good performance from Winterflood which is a leader in UK market-making. Asset Management is undergoing a transformation and is positioning itself to become a leading provider of UK wealth and asset management services.

The group remains strongly capitalised and is well positioned to take advantage of future growth opportunities.

Results and Dividend

Adjusted operating profit from continuing operations was £121.3 million (2009: £113.7 million), a 7% increase year on year. Adjusted earnings per share from continuing operations increased marginally to 61.3p (2009: 60.5p) and basic earnings per share from continuing operations increased 6% to 46.0p (2009: 43.6p).

Operating profit before tax from continuing operations of £99.3 million (2009: £88.3 million) includes the impact of exceptional items of £15.0 million (2009: £6.0 million) relating to the impairment of two group investments, which were impacted by the challenging economic environment. Additionally, as a result of the continuation of difficult market conditions, a goodwill impairment of £6.5 million (2009: £19.0 million) was taken in Asset Management.

The group retained a strong capital base with a core tier 1 capital ratio of 13.9% at 31 July 2010 (31 July 2009: 14.8%) and a total capital ratio of 15.8% (31 July 2009: 16.6%), despite 23% loan book growth during the period. The strength of the group's capital position ensured adequate flexibility to support the group's existing businesses and, combined with efficient capital allocation across the divisions, allowed the pursuit of growth opportunities.

The board is recommending a maintained final dividend of 25.5p (2009: 25.5p) per share in cash, resulting in a total dividend for the year of 39.0p (2009: 39.0p).

Divisional Performance

The **Banking** division delivered a very strong performance and returned its highest ever adjusted operating profit of £79.5 million (2009: £54.0 million). The loan book increased 23% to a record £2.9 billion (2009: £2.4 billion). The division benefited from the strength of its market position across its niche businesses and its solid and diverse funding model. This has been achieved whilst retaining its disciplined approach to lending. As a result, the net interest margin increased to 9.7% (2009: 9.4%) and adjusted operating income increased 15% to £272.0 million (2009: £235.5 million). A modest improvement in economic conditions saw a reduction in impairment losses on loans and advances as a percentage of the average loan book to 2.4% (2009: 2.6%), driven by the Retail businesses.

The **Securities** division delivered another good performance with adjusted operating profit of £59.3 million (2009: £64.9 million). This reflected an improved performance in Winterflood and Close Brothers Seydler Bank ("Seydler"). The 9% reduction in the year was a result of a lower contribution from the group's associate Mako which had an exceptional prior year performance.

Winterflood retained its position as the leading market-maker to the UK retail stockbroking industry, trading record volumes, with over 46,000 (2009: 42,000) bargains per trading day. However, there was a reduction in income per bargain to £11.18 (2009: £11.98) over the period. Winterflood increased its profitability and recorded only four (2009: seven) loss days

Chairman's and Chief Executive's Statement continued

out of a total of 252 (2009: 253) trading days. Overall, adjusted operating profit was up 3% to £48.7 million (2009: £47.3 million), a ten year high for the business.

Seydler had an improved performance with adjusted operating profit growth to £4.9 million (2009: £1.5 million) offset by more challenging market conditions for Mako. Reduced volumes, particularly in the later stages of the year, led to a reduction in Mako's contribution to £5.7 million (2009: £16.1 million) relative to the exceptional prior period performance which benefited from high volumes and volatility immediately following the collapse of Lehman Brothers.

The **Asset Management** division had a subdued performance for the year and reported adjusted operating profit of £3.3 million (2009: £12.0 million) as the division commenced a period of transformation and investment for future growth. While overall operating income was marginally higher at £97.0 million (2009: £95.0 million) this was predominately due to one-off investment gains of £6 million on the division's residual interest in a private equity business.

Closing Funds under Management ("FuM") increased 9% to £7.4 billion (31 July 2009: £6.8 billion) reflecting positive market movements as equity markets recovered. The Private Clients business achieved a net new funds flow of £221.1 million (31 July 2009: £161.2 million) during the year and 16% (31 July 2009: 1%) growth in funds overall.

Strategy

The group is focused on developing its three key business areas:

- The Banking division is a leader in specialised finance in the UK
- Securities, largely through Winterflood, is a leader in UK market-making
- Asset Management is investing to become a leader in UK wealth and asset management.

We have a clear strategy for each of these businesses.

Going forward, the **Banking** division will retain its specialised and disciplined approach to lending and seek to grow market share without compromising levels of profitability and margins. To support this growth, the division streamlined its structure, strengthened its management team, developed new and existing product lines, added front line loan origination capacity and extended its branch network in the UK.

Retail, comprising motor and insurance premium financing, is seeking ways to grow its existing offering and develop new products. It has expanded into new geographies with the addition of a branch in the South West of England and services into Northern Ireland. It is also adding to front line staff including the establishment of a team focused on new car and franchise dealers. Overall, this resulted in an increase in market share within the independent used car market from 5% to 9% over the past twelve months. Personal lines continue to drive the insurance premium business, which now has close to 5% share of the overall market and a substantial share of the independent market.

Commercial is successfully expanding its asset and invoice financing businesses through a combination of acquisition and organic growth initiatives and by investing in sales personnel. It is also actively growing the middle ticket leasing business and during the year also expanded its operations into Northern Ireland.

As a result, market share in asset financing has risen from 4% to 6%. Invoice financing is focused on developing its sales team to target larger deals and, during the 2010 financial year, acquired a £93.8 million loan book which is now fully integrated. As a result, this business now has around 13% of the independent market, up from 8% twelve months ago.

Chairman's and Chief Executive's Statement continued

Property will continue to actively maintain its leading market position in residential development lending by prudently lending to clients who are attracted by its local knowledge and development expertise. During the year it also expanded its business by opening an office in Scotland.

In **Securities**, Winterflood will seek to maintain its leading position in the UK retail market place. It will support and grow its existing core business, as a London Stock Exchange registered market-maker in over 3,300 UK securities, by leveraging its trading expertise and proprietary technology platform.

Winterflood will also explore opportunities to expand its business incrementally in other markets. It will seek to capture US and European order flow by selectively expanding its capabilities and resources into those markets. It will also promote its expertise to asset managers who wish to outsource dealing and execution services to a specialist provider.

In the smaller Securities businesses, Seydler is well positioned for the development of the Frankfurt floor based trading platform and a recovery in equity and debt capital markets activity. Mako continues to have a strong position in its core derivatives market-making business and sees growth opportunities in its investment management activity, predominantly through Pelagus Capital, its fixed income relative-value fund.

Asset Management has carried out focused research and evaluated its core strengths, capabilities and opportunities in the external environment and now has a clear strategy to create a high growth wealth and asset management business in the UK.

The focus of this business will be affluent and high net worth investors in Private Clients, as well as smaller institutions, such as family offices and charitable endowments, through the division's Institutional offering. Offshore Banking and Administration will continue to be focused on trust and administration for offshore clients.

The strategy will build on the division's investment track record; around £7 billion of FuM, 22,000 existing clients and the Close Brothers brand. The Private Clients offering will provide advice seeking clients with high quality, holistic advice, financial planning and discretionary services. It will also provide self-directed clients with a range of web and telephone-based services to enable them to manage their own wealth. This combination of services will position the business to become a leader in wealth management in the UK.

The Institutional strategy is at an earlier stage. The business has already consolidated its investment management processes including the integration of hedge fund multi-manager, Fortune. It has also developed common multi-asset, multi-manager investment propositions to service both private and institutional clients, and will invest across long-only and hedge funds, structured products as well as equities and bonds.

The division sees a significant opportunity to service and acquire clients from independent financial advisors ("IFAs") who are exiting the market as a result of regulatory change. During the year the division entered into its first agreement with an IFA to acquire client assets of up to £50 million. In the period since 31 July 2010 the division also acquired Chartwell Group Limited, an IFA business based in Bristol with over £650 million of client assets and good links into the South West of England.

It is anticipated that the total non-recurring investment spend of the Private Client proposition and platform development, will be in the range of £18 to £20 million, of which £6 million has been incurred during the 2010 financial year and a further £10 million will be invested in the 2011 financial year.

Chairman's and Chief Executive's Statement continued

These initiatives will take time until their potential is fully realised. The investment will be modest in the context of the overall group and is expected to result in a significant contribution by the division to the group in the medium term.

Outlook

The group has made a sound start to the 2011 financial year.

In the **Banking** division, we see continued good loan book growth.

The **Securities** division has made a more modest start to the year reflecting current market conditions.

The **Asset Management** division is likely to deliver a small loss for the year as the investment in the strategy continues, particularly in the Private Clients business.

Overall, we expect the group to deliver a satisfactory performance for the year.

FINANCIAL REVIEW

Overview

Summary Income Statement

	2010 £ million	2009 £ million	Change %
Continuing operations[1]			
Adjusted operating income	**531.7**	502.1	6
Adjusted operating expenses	**(347.0)**	(328.5)	6
Impairment losses on loans and advances	**(63.4)**	(59.9)	6
Adjusted operating profit	**121.3**	113.7	7
Exceptional items	**(15.0)**	(6.0)	
Impairment losses on goodwill	**(6.5)**	(19.0)	
Amortisation of intangible assets on acquisition	**(0.5)**	(0.4)	
Operating profit before tax	**99.3**	88.3	12
Tax	**(32.8)**	(26.1)	26
Minority interests	**(0.6)**	(0.3)	100
Profit attributable to shareholders: continuing operations	**65.9**	61.9	6
Profit from discontinued operations	**-**	10.4	
Minority interests: discontinued operations	**-**	(0.6)	
Profit attributable to shareholders: continuing and discontinued operations	**65.9**	71.7	(8)
Adjusted earnings per share: continuing operations[2]	**61.3p**	60.5p	1
Basic earnings per share: continuing operations	**46.0p**	43.6p	6
Basic earnings per share: continuing and discontinued operations	**46.0p**	50.5p	(9)
Ordinary dividend per share	**39.0p**	39.0p	-

[1]Results from continuing operations for 2009 exclude both the trading result and gain on disposal related to the Corporate Finance division, the sale of which was completed on 1 July 2009.
[2]Adjusted earnings per share: continuing operations excludes discontinued operations, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition.

Close Brothers has achieved a good overall result for the 2010 financial year with adjusted operating profit from continuing operations of £121.3 million (2009: £113.7 million), up 7%. The Banking division delivered a very strong performance with its highest profit contribution to date. The Securities division's performance was good overall, notably Winterflood which benefited from strong volumes. However, this was partially offset by a lower contribution from Asset Management as it invests for future growth.

Adjusted operating income from continuing operations increased 6% to £531.7 million (2009: £502.1 million), principally reflecting a strong net interest margin and a closing loan book in the Banking division at a record high.

Adjusted operating expenses from continuing operations increased 6% to £347.0 million (2009: £328.5 million) due to increased staff costs in the Banking division to facilitate loan book growth, and investment in key initiatives, notably in Asset Management's Private Client business.

Impairment losses on loans and advances ("bad debts") as a percentage of the average loan book ("bad debt ratio") reduced to 2.4% (2009: 2.6%) as the group benefited from a modest improvement in economic conditions, particularly in Retail. The absolute bad debt charge increased 6% to £63.4 million (2009: £59.9 million) reflecting the significant growth in the loan book.

The group reports adjusted operating profit after exceptional items and other adjustments. As part of the annual impairment review, combined impairments of £15.0 million were made

Overview continued

on two investments; a long held equity stake in Plus Markets Group and a seed investment in a European investment fund. Impairments were taken to write down these investments to their market values at 31 July 2010, which have been impacted by the challenging economic environment. The reduction in fair value of these investments has previously been marked to market through equity. In addition, as a result of the continuation of difficult market conditions, a goodwill impairment of £6.5 million (2009: £19.0 million) was taken in Asset Management in the year. An amortisation charge of £0.5 million (2009: £0.4 million) on intangible assets on acquisition was incurred in the year.

After these items, operating profit before tax from continuing operations was £99.3 million (2009: £88.3 million), up 12%.

The tax charge on continuing operations was £32.8 million (2009: £26.1 million), corresponding to an effective tax rate of 33% (2009: 30%). The tax rate was impacted by the non tax deductible impairment on investment assets and goodwill, which increased the effective tax rate by 6%, and the post tax associate income from Mako which reduced the effective tax rate by 2%. Excluding these effects, the underlying effective tax rate was unchanged at 29% (2009: 29%).

Adjusted earnings per share from continuing operations increased 1% to 61.3p (2009: 60.5p) and basic earnings per share from continuing operations increased 6% to 46.0p (2009: 43.6p).

There were no discontinued operations during the period. However in the 2009 financial year the Corporate Finance division was sold to Daiwa Securities SMBC Europe and was treated as a discontinued operation.

The board is recommending a maintained final dividend of 25.5p (2009: 25.5p), resulting in a total dividend for the year of 39.0p (2009: 39.0p). The final dividend will be paid on 19 November 2010 to shareholders on the register at 8 October 2010.

Divisional Performance

The Banking division had a very strong performance, with profitability and the loan book at record highs due to the strength of its market position across its niche businesses and its solid and diverse funding model. This has been achieved whilst retaining its disciplined approach to lending. As a result, it increased its contribution to 56% (2009: 41%) of group adjusted operating profit before group net expenses.

The Securities division contributed 42% (2009: 50%) to overall group adjusted operating profit before group net expenses with a good performance from Winterflood and an improved performance from Seydler offset by a lower contribution from Mako.

Asset Management had a subdued performance in the year and its contribution reduced to 2% (2009: 9%) of group adjusted operating profit before group net expenses. This division is undergoing a period of transformation, with investment focused on the Private Clients business.

Group net expenses were £20.8 million (2009: £17.2 million). Adjusted operating expenses were broadly flat at £21.3 million (2009: £21.0 million) despite the new senior resources and functionality that were committed to the centre to assist the existing operations and growth of the divisions. However, adjusted operating income reduced by £3.3 million to £0.5 million (2009: £3.8 million) in the absence of a foreign exchange gain realised in the prior financial year.

Overview continued

In accordance with the new IFRS 8 disclosure on Operating segments, a breakdown of net interest and fees by each of the three lending business units in the Banking division is now provided. The segmental breakdown for the Securities and Asset Management divisions are unchanged from previous years.

Divisional Adjusted Operating Profit (Continuing Operations)

	2010		2009		Change
	£ million	**%**	£ million	%	%
Banking	**79.5**	**56**	54.0	41	47
Securities	**59.3**	**42**	64.9	50	(9)
Asset Management	**3.3**	**2**	12.0	9	(73)
Total divisions	**142.1**	**100**	130.9	100	9
Group	**(20.8)**		(17.2)		21
Adjusted operating profit	**121.3**		113.7		7

Balance Sheet

Summary Balance Sheet

	31 July 2010 £ million	31 July 2009 £ million
Assets		
Cash and loans and advances to banks[1]	**611.2**	198.2
Settlement balances, long trading positions and loans to money brokers[2]	**713.3**	728.9
Loans and advances to customers	**2,912.6**	2,364.9
Non trading debt securities	**1,582.1**	2,261.3
Intangible assets	**107.5**	107.6
Other assets	**332.9**	358.4
Total assets	**6,259.6**	6,019.3
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**597.8**	590.7
Deposits by banks	**48.1**	48.0
Deposits by customers	**3,115.5**	2,919.6
Borrowings	**1,472.0**	1,436.9
Other liabilities	**271.8**	326.4
Total liabilities	**5,505.2**	5,321.6
Equity	**754.4**	697.7
Total liabilities and equity	**6,259.6**	6,019.3

[1]Includes £452.7 million (31 July 2009: £1.7 million) cash at central banks.
[2]Includes £54.1 million (31 July 2009: £37.9 million) long trading positions in debt securities.

Maintaining a strong balance sheet has been critical to Close Brothers' success during the difficult market and economic environment of the credit crisis. Total assets increased 4% to £6,259.6 million at 31 July 2010 (31 July 2009: £6,019.3 million) reflecting significant growth in loans and advances to customers ("the loan book"). This growth was achieved with a corresponding increase in liabilities of 3% to £5,505.2 million (31 July 2009: £5,321.6 million).

The loan book increased by £547.7 million, or 23%, to £2,912.6 million at 31 July 2010 (31 July 2009: £2,364.9 million). Organic growth of 19% was driven by good quality new lending across Retail, Commercial and Property. The loan book includes predominantly secured loans on conservative loan to value ratios with an average loan book maturity of twelve months (31 July 2009: twelve months). In January 2010, the group acquired a £93.8 million invoice financing loan book which contributed an additional 4% growth.

Overview continued

Cash and loans and advances to banks increased £413.0 million to £611.2 million at 31 July 2010 (31 July 2009: £198.2 million). Previously, short-term deposits were invested in certificates of deposit ("CDs"), however as these matured or were sold, cash was placed on deposit with the Bank of England. As a result, cash and balances at central banks increased to £452.7 million at 31 July 2010 (31 July 2009: £1.7 million).

Non trading debt securities, which includes the group's CDs, gilts and government guaranteed debt and floating rate notes ("FRNs"), reduced by £679.2 million to £1,582.1 million (31 July 2009: £2,261.3 million) as CDs and FRNs matured or were sold. At 31 July 2010, the group had £615.4 million (31 July 2009: £754.7 million) of FRNs classified as available for sale and the aggregate negative mark to market adjustment on FRNs was £12.7 million, net of tax (2009: £31.6 million).

Settlement balances, long trading positions and loans to money brokers are assets that relate to the group's market-making activities and principally reflect short-term funding of trading positions at Winterflood. These decreased £15.6 million to £713.3 million at 31 July 2010 (31 July 2009: £728.9 million) and were partly offset by liabilities relating to settlement balances, short trading positions and loans from money brokers of £597.8 million at 31 July 2010 (31 July 2009: £590.7 million).

Intangible assets were broadly flat at £107.5 million at 31 July 2010 (31 July 2009: £107.6 million) as the goodwill and intangibles from the invoice financing loan book acquisition in Banking was offset by an impairment in Asset Management in light of difficult market conditions.

Customer deposits increased £195.9 million to £3,115.5 million at 31 July 2010 (31 July 2009: £2,919.6 million) and includes long and short-term deposits from corporate and retail customers. Deposits by banks were flat at £48.1 million at 31 July 2010 (31 July 2009: £48.0 million).

Total borrowings, which include loans and overdrafts from banks, debt securities in issue and subordinated loan capital, were broadly stable at £1,472.0 million (31 July 2009: £1,436.9 million), including a £200 million group bond issued during the year.

Total equity at 31 July 2010 has increased 8%, or £56.7 million, to £754.4 million (31 July 2009: £697.7 million) and principally reflects profit attributable to shareholders for the year of £65.9 million (2009: £71.7 million) less £55.5 million (2009: £55.2 million) dividend payments and an increase of £31.0 million (2009: (£23.4) million) as a result of the positive mark to market adjustments on the available for sale FRNs and the impact of the transfer of the impairment on investment assets to the Income Statement.

Funding and Liquidity

The group has a prudent funding and liquidity position and total available funding for the group increased to £5.6 billion at 31 July 2010 (31 July 2009: £5.4 billion) which is significantly above the loan book of £2.9 billion at 31 July 2010 (31 July 2009: £2.4 billion).

The group has a diversified range of funding sources with a mix of bilateral and syndicated facilities, repurchase agreements, a group bond and long and short-term customer deposits. This enables the group to meet existing funding requirements and be well positioned for growth whilst considering cost efficiency and the availability of funding.

Overview continued

Funding Overview

	31 July 2010 £ million	31 July 2009 £ million	Change £ million
Drawn facilities and group bond[1]	**1,458.3**	1,409.7	48.6
Undrawn facilities	**227.0**	392.6	(165.6)
Deposits by customers > twelve months	**244.6**	888.8	(644.2)
Deposits by customers < twelve months[2]	**2,869.7**	2,029.7	840.0
Equity	**754.4**	697.7	56.7
Total available funding	**5,554.0**	5,418.5	135.5

[1]Drawn facilities exclude £13.7 million (31 July 2009: £27.2 million) of non-facility overdrafts included in borrowings.
[2]Deposits by customers < twelve months exclude £1.2 million (31 July 2009: £1.1 million) of deposits held within the Securities division.

Total wholesale facilities, including the group bond, have decreased by £0.1 billion to £1.7 billion (31 July 2009: £1.8 billion) as some facilities reached maturity and were not replaced before the year end. During the year the group issued a £200 million bond maturing in 2017 and as a result the average maturity of existing facilities and the bond was 22 months (31 July 2009: 24 months). The average maturity of wholesale funding at 31 July 2010, excluding the group bond, reduced to 15 months (31 July 2009: 24 months), still comfortably above the twelve month (2009: twelve months) maturity of the loan book.

The group is supported by a stable and resilient customer deposit base which increased to £3.1 billion at 31 July 2010 (31 July 2009: £2.9 billion). Given the availability of alternative sources of funding, the group chose not to raise significant additional long-term retail deposits and accordingly, customer deposits with a maturity of more than twelve months reduced to £0.2 billion (31 July 2009: £0.9 billion).

Since the financial year end, the group has added a variety of new facilities totalling £910 million, with an average maturity of 19 months.

Maturity Profile of Facilities and Deposits

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Drawn facilities and group bond[1]	1,014.7	150.0	293.6	1,458.3
Undrawn facilities	112.0	95.0	20.0	227.0
Deposits by customers[2]	2,869.7	186.4	58.2	3,114.3
Total available funding at 31 July 2010	**3,996.4**	**431.4**	**371.8**	**4,799.6**
Total available funding at 31 July 2009	2,407.0	1,818.5	495.3	4,720.8

[1]Drawn facilities exclude £13.7 million (31 July 2009: £27.2 million) of non-facility overdrafts included in borrowings.
[2]Deposits by customers < twelve months exclude £1.2 million (31 July 2009: £1.1 million) of deposits held within the Securities division.

During the year, Fitch Ratings and Moody's Investors Services issued Close Brothers Group plc inaugural ratings of A/F1 and A3/P2 respectively, both with a negative outlook. Close Brothers Limited ("CBL"), the group's regulated banking subsidiary has credit ratings of A/F1 by Fitch and A2/P1 by Moody's, both with a negative outlook, unchanged from the prior year.

Capital

The group has maintained a strong capital position with a core tier 1 capital ratio of 13.9% at 31 July 2010 (31 July 2009: 14.8%) and a total capital ratio of 15.8% (31 July 2009: 16.6%), despite 23% loan book growth during the period. The strength of the group's capital position ensures adequate flexibility to support the group's existing businesses, and combined with efficient capital allocation across the divisions, allows the group to pursue its strategic objectives and future growth opportunities.

Overview continued

The group has consistently maintained a conservative capital position and prudently manages its capital to ensure it is comfortably above the minimum requirements for the group and all regulated subsidiaries.

Proposed changes to the regulatory capital regime are constantly monitored by the group. The majority of the significant changes have been clearly highlighted by the regulatory and legislative bodies. The group believes that it will not be materially impacted by proposed changes, based on current analysis of the proposals, although further developments will be assessed as they arise.

Total regulatory capital increased £32.2 million during the year to £683.8 million (31 July 2009: £651.6 million). Notional risk weighted assets increased 10%, or £401.9 million, to £4,338.7 million (31 July 2009: £3,936.8 million) reflecting an increase in credit and counterparty risk predominantly driven by the 23% loan book growth.

CBL, the group's regulated banking subsidiary, had a core tier 1 capital ratio of 10.8% at 31 July 2010 (31 July 2009: 11.0%) and accounted for 81% of the group's risk weighted assets (31 July 2009: 78%).

The strength of the group's capital position and its approach to capital allocation will allow its businesses to grow in the short, medium and long term. The group expects that over the coming periods, its capital ratios may moderate somewhat as it captures opportunities for growth, particularly in the loan book, although this is not expected to materially impact the overall strength of the group's capital position.

Capital Position

	31 July 2010 £ million	31 July 2009 £ million
Core tier 1 capital	**603.3**	581.9
Total regulatory capital	**683.8**	651.6
Risk weighted assets (notional)[1]	**4,338.7**	3,936.8
Core tier 1 capital ratio	**13.9%**	14.8%
Total capital ratio	**15.8%**	16.6%

[1]Notional risk weighted assets calculated under Basel II include a notional adjustment for Pillar 1 operational and market risk requirements.

Key Financial Ratios

All of the group's key financial ratios ("KFRs") improved as a result of a good overall performance. The group's operating margin improved to 22% (2009: 20%) due to a record contribution from Banking and the expense/income ratio improved to 66% (2009: 68%). Return on opening equity improved to 12% (2009: 10%).

Group Key Financial Ratios

	2010	2009
Operating margin[1]	**22%**	20%
Expense/income ratio[2]	**66%**	68%
Compensation ratio[3]	**41%**	42%
Return on opening equity[4]	**12%**	10%

[1]Adjusted operating profit on adjusted operating income.
[2]Adjusted operating expenses on adjusted operating income.
[3]Total staff costs excluding exceptional items on adjusted operating income.
[4]Adjusted operating profit after tax and minority interests on opening total equity.

Note: All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition, and are in respect of continuing operations.

BUSINESS REVIEW

Banking

- 23% growth in loans and advances to customers to a record high of £2.9 billion
- 47% increase in adjusted operating profit to £79.5 million, its highest to date
- Bad debt ratio decreased to 2.4%

Key Divisional Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating income	**272.0**	235.5	15
Net interest and fees on loan book:	**255.6**	216.2	18
Retail	**104.9**	85.9	22
Commercial	**114.2**	99.5	15
Property	**36.5**	30.8	19
Treasury and other non-lending income	**16.4**	19.3	(15)
Adjusted operating expenses	**(129.1)**	(121.6)	6
Impairment losses on loans and advances	**(63.4)**	(59.9)	6
Adjusted operating profit	**79.5**	54.0	47
Net interest margin[1]	**9.7%**	9.4%	
Bad debt ratio[2]	**2.4%**	2.6%	
Closing loan book	**2,912.6**	2,364.9	23

[1]Net interest and fees on average net loans and advances to customers.
[2]Impairment losses on average net loans and advances to customers.

The Banking division has delivered a very strong performance, benefiting from the strength of its market position across its niche businesses and its solid and diverse funding model. It has achieved this whilst retaining its disciplined approach to lending. The division has actively taken advantage of the more favourable operating environment to extend its leadership position, growing the loan book to a record high of £2.9 billion (31 July 2009: £2.4 billion) with adjusted operating profit increasing 47% to £79.5 million (2009: £54.0 million).

Adjusted operating income increased 15% to £272.0 million (2009: £235.5 million) driven by an 18% increase in net interest and fees on loan book to £255.6 million (2009: £216.2 million). This reflected an increase in the average loan book of 15% and an increase in the net interest margin to 9.7% (2009: 9.4%) as the businesses captured demand for niche lending services.

Adjusted operating expenses increased 6% to £129.1 million (2009: £121.6 million) largely due to significant loan book growth and associated investment in front line resources and infrastructure. However, the expense/income ratio reduced to 47% (2009: 52%) and the compensation ratio reduced to 26% (2009: 28%) as a result of strong income growth and overall effective cost management.

The bad debt ratio reduced to 2.4% (2009: 2.6%) as the group benefited from a modest improvement in economic conditions, particularly driven by Retail. The longer term Commercial businesses did not see a material improvement, while Property appears to have stabilised. The absolute bad debt charge increased 6% to £63.4 million (2009: £59.9 million) reflecting the significant growth in the loan book.

The loan book increased 23%, or £547.7 million, to £2,912.6 million at 31 July 2010 (31 July 2009: £2,364.9 million) to a record level including significant organic loan book growth of 19%, and 4% growth from the acquisition of a £93.8 million invoice financing loan book in January 2010.

BUSINESS REVIEW

Banking continued

Loan Book Analysis

	31 July 2010 £ million	31 July 2009 £ million	Change %
Retail	**1,201.9**	995.4	21
Premium finance	**553.6**	455.5	22
Motor finance[1]	**648.3**	539.9	20
Commercial	**1,162.9**	882.3	32
Invoice finance	**262.1**	170.3	54
Asset finance	**900.8**	712.0	27
Property	**547.8**	487.2	12
Closing loan book	**2,912.6**	2,364.9	23

[1]Includes £82.8 million (31 July 2009: £96.4 million) Close Finance Channel Islands loan book previously shown separately.

The Retail loan book grew 21% to £1,201.9 million (31 July 2009: £995.4 million), with improved margins, reflecting good demand. Motor finance increased its market share to 9% (2009: 5%) of the independent used car market and increased the number of car dealers it has relationships with to 5,800 (2009: 5,000) over the last twelve months. Premium finance benefited from increased volumes, particularly in personal insurance lines, with a total of 1.5 million (2009: 1.2 million) new loans in the year. As a result, the average loan book increased 14% and Retail increased its net interest and fee income by 22% to £104.9 million (2009: £85.9 million).

The Commercial loan book has increased 32% to £1,162.9 million (31 July 2009: £882.3 million) driven by very good new business levels in the asset financing business as it invested in sales capabilities and infrastructure, and an acquisition in invoice finance. Excluding the acquisition, the Commercial book increased 21%, although the invoice finance loan book remained flat due to the ongoing impact of the economic environment on its small and medium enterprise customers and an active competitive environment. Given the 18% increase in the average loan book, net interest and fee income increased 15% in the year to £114.2 million (2009: £99.5 million).

The Property business increased its loan book by 12% to £547.8 million (31 July 2009: £487.2 million) as it continues to lend at good margins with the same prudent criteria to higher quality residential property developers. Accordingly, net interest and fee income increased to £36.5 million (2009: £30.8 million).

Treasury and other non-lending income declined 15% to £16.4 million (2009: £19.3 million) as a result of lower returns on cash and money market assets.

The operating margin improved to 29% (2009: 23%) due to the strong income growth and effective cost management. As a result of the significant loan book growth and a strong net interest margin, the return on opening equity increased to 20% (2009: 12%) and the return on net loan book increased to 3.0% (2009: 2.3%).

Banking Key Financial Ratios

	2010	2009
Operating margin	**29%**	23%
Expense/income ratio	**47%**	52%
Compensation ratio	**26%**	28%
Return on opening equity	**20%**	12%
Return on net loan book[1]	**3.0%**	2.3%

[1]Banking division adjusted operating profit before tax on average net loans and advances to customers.

Note: All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition.

BUSINESS REVIEW

Securities

- Adjusted operating profit declined to £59.3 million
- Overall Winterflood volumes increased 10%
- Seydler delivered an improved performance
- Mako had a lower contribution of £5.7 million

Key Divisional Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating income	**162.2**	167.8	(3)
Adjusted operating expenses	**(102.9)**	(102.9)	-
Adjusted operating profit	**59.3**	64.9	(9)

The Securities division has delivered another good result over the last twelve months. Overall, adjusted operating profit declined 9% to £59.3 million (2009: £64.9 million) reflecting a good performance in Winterflood and an improved performance from Close Brothers Seydler Bank ("Seydler") offset by a material fall in associate income from Mako, relative to an exceptional prior year performance. Adjusted operating income declined 3% to £162.2 million (2009: £167.8 million) and adjusted operating expenses remained flat at £102.9 million (2009: £102.9 million).

As a result of the higher profit contribution from Winterflood and Seydler, the operating margin improved to 34% (2009: 32%) and the return on opening equity increased to 39% (2009: 35%). The expense/income ratio improved to 66% (2009: 68%) as higher volume related costs in Winterflood were offset by lower costs in Seydler and income growth, excluding Mako. The compensation ratio was broadly stable at 45% (2009: 46%).

Key Winterflood Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating income	**131.6**	128.4	2
Adjusted operating expenses	**(82.9)**	(81.1)	2
Adjusted operating profit	**48.7**	47.3	3
Number of bargains (million)	**11.8**	10.7	10
Average bargains per trading day	**46,730**	42,364	10
Income per bargain	**£11.18**	£11.98	(7)

Winterflood adjusted operating income increased 2% to £131.6 million (2009: £128.4 million) particularly benefiting from the recovery in equity markets at the start of the year. The total number of bargains traded in the year increased 10% to 11.8 million (2009: 10.7 million), which corresponds to average bargains per trading day up 10% to 46,730 (2009: 42,364). This was a good performance given an overall reduction in market volumes, which resulted in lower spreads, particularly in the second half, and a 7% decline in income per bargain to £11.18 (2009: £11.98). Trading performance has remained consistent with four (2009: seven) loss days out of a total of 252 (2009: 253) trading days, demonstrating the resilience of Winterflood.

Adjusted operating expenses increased by only 2%, in line with income growth, to £82.9 million (2009: £81.1 million) and as a result adjusted operating profit increased 3% to £48.7 million (2009: £47.3 million).

Securities continued

Key Close Brothers Seydler Bank Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating income	**24.9**	23.3	7
Adjusted operating expenses	**(20.0)**	(21.8)	(8)
Adjusted operating profit	**4.9**	1.5	227

Seydler had an improved performance with adjusted operating profit growth to £4.9 million (2009: £1.5 million). Adjusted operating income increased 7% to £24.9 million (2009: £23.3 million) reflecting an improvement in its equity sales and capital markets activity. On a constant currency basis, adjusted operating income also increased 7%. Adjusted operating expenses were £20.0 million (2009: £21.8 million), a reduction of 8%.

Seydler has grown its market position with 2,381 (2009: 2,158) specialist floor mandates and 184 (2009: 164) designated sponsoring mandates.

Key Mako Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating profit[1]	**8.2**	22.3	(63)
Tax on adjusted operating profit[1]	**(2.5)**	(6.2)	(60)
Profit after tax[1]	**5.7**	16.1	(65)

[1]Close Brothers share of result.

The 49.9% investment in Mako contributed £5.7 million (2009: £16.1 million) of after tax associate income for the year. Despite higher levels of volatility in the later stages of the year, Mako saw lower activity as a result of reduced market volumes and challenging trading conditions, particularly in fixed income. The prior year's performance, particularly in the first half, benefited from exceptional trading conditions which led to both high volumes and volatility immediately following the collapse of Lehman Brothers.

Mako's investment management business has performed very well in the year and Funds under Management ("FuM") of Pelagus Capital, its fixed income relative-value fund increased $508 million, or 197%, to $766 million (31 July 2009: $258 million), delivering good returns.

Securities Key Financial Ratios

	2010	2009
Operating margin	**34%**	32%
Expense/income ratio	**66%**	68%
Compensation ratio	**45%**	46%
Return on opening equity	**39%**	35%

Note: All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition.

BUSINESS REVIEW

Asset Management

- Funds under Management increased to £7.4 billion
- Adjusted operating profit decreased to £3.3 million
- Management fees/average FuM broadly stable at 73 bps

Key Divisional Metrics

	2010 £ million	2009 £ million	Change %
Adjusted operating income	**97.0**	95.0	2
Management fees on FuM	**52.2**	54.3	(4)
Income on Assets under Administration and deposits	**32.7**	37.6	(13)
Other income[1]	**12.1**	3.1	290
Adjusted operating expenses	**(93.7)**	(83.0)	13
Adjusted operating profit	**3.3**	12.0	(73)
Management fees/average FuM (bps)	**73**	72	1
Closing FuM	**7,428**	6,839	9

[1]Includes performance fees, income on investment assets and other income.

Asset Management had a subdued performance for the year with adjusted operating profit of £3.3 million (2009: £12.0 million). The division is in a period of transformation as it implements its wealth and asset management strategy aimed at affluent and high net worth retail investors in Private Clients, and family offices, charities and foundations in Institutional. This initiative involves investment that negatively impacted the division's profit performance, particularly in the second half of the year.

Adjusted operating income increased 2% to £97.0 million (2009: £95.0 million). The most significant component of income, management fees on FuM, declined by 4% to £52.2 million (2009: £54.3 million) reflecting the first full year excluding FuM from the private equity businesses which were deconsolidated in the 2009 financial year. Management fees/average FuM remained broadly stable at 73 basis points ("bps") (2009: 72 bps).

Income on Assets under Administration and deposits declined by 13% to £32.7 million (2009: £37.6 million) principally reflecting the continuing negative impact on margins in a lower interest rate environment and a modest decline in deposits.

Other income increased to £12.1 million (2009: £3.1 million) of which £6 million reflects one-off investment gains on the division's residual interest in the former Close Brothers Private Equity business.

Adjusted operating expenses increased to £93.7 million (2009: £83.0 million) reflecting investment to strengthen and reposition the division during its transformation, including hiring key resources. In particular, during the year, there was non-recurring investment spend relating to Private Client initiatives of £6 million. This investment includes extensive research and marketing, proposition, system and platform development, and building the capabilities to offer a comprehensive wealth management service. As a result, the expense/income ratio increased to 97% (2009: 87%).

The operating margin decreased to 3% (2009: 13%) and the return on opening equity reduced to 2% (2009: 6%).

Asset Management continued

Funds under Management

	Private Clients £ million	Institutional[1] £ million	Total £ million
As at 1 August 2009	3,349	3,490	6,839
New funds raised	583	507	1,090
Redemptions, realisations and withdrawals	(362)	(739)	(1,101)
Net new funds	221	(232)	(11)
Market movement	301	299	600
As at 31 July 2010	**3,871**	**3,557**	**7,428**
Change	16%	2%	9%

[1]This business area was previously referred to as "Funds".

At 31 July 2010, closing FuM increased 9% to £7.4 billion (31 July 2009: £6.8 billion) reflecting positive market movements, particularly at the start of the year as equity markets recovered. Private Clients FuM were up 16% to £3.9 billion (31 July 2009: £3.3 billion) due to market movements which increased FuM by £0.3 billion and net new funds of £0.2 billion (7% of opening FuM). In the Institutional business, FuM increased to £3.6 billion (31 July 2009: £3.5 billion) benefiting from positive market movements of £0.3 billion, partially offset by net outflows of £0.2 billion (7% of opening FuM).

During the year the division entered into an agreement to acquire client assets of up to £50 million from an IFA. However, the assets from this acquisition will take at least twelve to 18 months to transition as individual investors choose to become clients of the division.

Since the year end, the division has acquired Chartwell Group Limited, an IFA with over £650 million of client assets, and an established advisory and execution only infrastructure, for a consideration of approximately £17 million. This business is based in Bristol and will provide Asset Management with a regional office in the South West of England and over 60 additional staff that will provide extra capability to accelerate Private Clients growth.

The aim of the division's investment management process is to deliver consistent long-term growth and risk adjusted returns, while managing downside volatility. Over the last twelve months, the division's portfolios underperformed a 100% equity mandate, given its multi-asset class approach and conservative stock and asset class positioning following the significant rebound in markets from the low in March 2009. As a result, market movements increased FuM in Private Clients by 9%, which compares to an increase of 12% in the APCIMS Balanced Portfolio. Market performance was positive in Institutional as well, also rising 9%, following good performance from the UK equity multi-manager business.

Asset Management Key Financial Ratios

	2010	2009
Operating margin	**3%**	13%
Expense/income ratio	**97%**	87%
Compensation ratio	**57%**	57%
Return on opening equity	**2%**	6%
Net new funds/opening FuM	**0%**	0%

Note: All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2010

	Note	**2010 £ million**	2009 £ million
Continuing operations			
Interest income		**309.8**	352.8
Interest expense		**(114.3)**	(171.0)
Net interest income		**195.5**	181.8
Fee and commission income		**183.1**	171.4
Fee and commission expense		**(19.7)**	(19.7)
Gains less losses arising from dealing in securities		**141.9**	140.2
Share of profit of associates		**5.7**	16.1
Other income		**25.2**	12.3
Non-interest income		**336.2**	320.3
Operating income		**531.7**	502.1
Administrative expenses		**347.0**	334.5
Impairment losses on loans and advances	9	**63.4**	59.9
Impairment losses on goodwill		**6.5**	19.0
Impairment on investment assets	3	**15.0**	-
Amortisation of intangible assets on acquisition		**0.5**	0.4
Total operating expenses before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition		**410.4**	388.4
Exceptional items	3	**15.0**	6.0
Impairment losses on goodwill	4	**6.5**	19.0
Amortisation of intangible assets on acquisition		**0.5**	0.4
Total operating expenses		**432.4**	413.8
Operating profit before exceptional items, goodwill impairment and amortisation of intangible assets on acquisition and tax		**121.3**	113.7
Exceptional items	3	**(15.0)**	(6.0)
Impairment losses on goodwill	4	**(6.5)**	(19.0)
Amortisation of intangible assets on acquisition		**(0.5)**	(0.4)
Operating profit before tax		**99.3**	88.3
Tax	5	**32.8**	26.1
Profit after tax from continuing operations		**66.5**	62.2
Profit for the period from discontinued operations	6	**-**	10.4
Profit attributable to minority interests from continuing operations		**0.6**	0.3
Profit attributable to minority interests from discontinued operations		**-**	0.6
Profit attributable to the shareholders of the company		**65.9**	71.7
From continuing operations			
Basic earnings per share	7	**46.0p**	43.6p
Diluted earnings per share	7	**45.2p**	43.2p
From continuing and discontinued operations			
Basic earnings per share	7	**46.0p**	50.5p
Diluted earnings per share	7	**45.2p**	50.0p
Ordinary dividend per share	8	**39.0p**	39.0p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the year ended 31 July 2010

	2010 £ million	2009 £ million
Profit after tax	**66.5**	72.6
Currency translation gains	**5.1**	18.8
Gains/(losses) on cash flow hedges	**6.1**	(11.1)
Other losses	**(4.4)**	(2.8)
Gains/(losses) on financial instruments classified as available for sale:		
Gilts and government guaranteed debt	**(0.2)**	0.6
Floating rate notes	**19.0**	(15.2)
Equity shares	**(2.8)**	(8.8)
Transfer to income statement on impairment of available for sale equity shares	**15.0**	-
	37.8	(18.5)
Total recognised income and expense	**104.3**	54.1
Attributable to:		
Minority interests	**0.6**	0.9
Shareholders	**103.7**	53.2

CONSOLIDATED BALANCE SHEET
at 31 July 2010

	Note	**2010 £ million**	2009 £ million
Assets			
Cash and balances at central banks		**452.7**	1.7
Settlement balances		**541.7**	508.7
Loans and advances to banks		**158.5**	196.5
Loans and advances to customers	9	**2,912.6**	2,364.9
Debt securities	10	**1,636.2**	2,299.2
Equity shares	11	**59.9**	62.0
Loans to money brokers against stock advanced		**86.0**	158.3
Derivative financial instruments		**23.0**	32.5
Interests in associates		**73.7**	71.9
Intangible assets	12	**107.5**	107.6
Property, plant and equipment		**46.2**	41.6
Deferred tax assets		**32.8**	32.6
Prepayments, accrued income and other assets	13	**128.8**	141.8
Total assets		**6,259.6**	6,019.3
Liabilities			
Settlement balances and short positions	14	**565.1**	590.7
Deposits by banks	15	**48.1**	48.0
Deposits by customers	15	**3,115.5**	2,919.6
Loans and overdrafts from banks	15	**1,178.4**	1,340.5
Debt securities in issue	15	**218.6**	21.4
Loans from money brokers against stock advanced		**32.7**	-
Derivative financial instruments		**20.5**	21.9
Accruals, deferred income and other liabilities	13	**251.3**	304.5
Subordinated loan capital		**75.0**	75.0
Total liabilities		**5,505.2**	5,321.6
Equity			
Called up share capital		**37.4**	37.4
Share premium account		**275.9**	274.5
Profit and loss account		**457.3**	445.7
Other reserves		**(18.7)**	(64.2)
Total shareholders' equity		**751.9**	693.4
Minority interests in equity		**2.5**	4.3
Total equity		**754.4**	697.7
Total liabilities and equity		**6,259.6**	6,019.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2010

	Called up share capital £ million	Share premium account £ million	Profit and loss account £ million	Other reserves: Available for sale movements reserve £ million	Other reserves: Share-based reserves £ million	Other reserves: Exchange movements reserve £ million	Other reserves: Cash flow hedging reserve £ million	Total attributable to equity holders £ million	Minority interests £ million	Total equity £ million
At 1 August 2008	37.3	274.1	432.0	(12.3)	(19.4)	2.3	1.4	715.4	5.0	720.4
Profit for the period	-	-	71.7	-	-	-	-	71.7	0.9	72.6
Other recognised income/(expense) for the period	-	-	(2.8)	(23.4)	-	18.8	(11.1)	(18.5)	-	(18.5)
Total recognised income/(expense) for the period	-	-	68.9	(23.4)	-	18.8	(11.1)	53.2	0.9	54.1
Exercise of options	0.1	0.4	-	-	-	-	-	0.5	-	0.5
Dividends paid	-	-	(55.2)	-	-	-	-	(55.2)	-	(55.2)
Shares purchased	-	-	-	-	(22.1)	-	-	(22.1)	-	(22.1)
Shares released	-	-	-	-	4.3	-	-	4.3	-	4.3
Other movements	-	-	-	-	(0.2)	(2.5)	-	(2.7)	(1.6)	(4.3)
At 31 July 2009	37.4	274.5	445.7	(35.7)	(37.4)	18.6	(9.7)	693.4	4.3	697.7
Profit for the period	-	-	65.9	-	-	-	-	65.9	0.6	66.5
Other recognised income/(expense) for the period	-	-	(4.4)	31.0	-	5.1	6.1	37.8	-	37.8
Total recognised income/(expense) for the period	-	-	61.5	31.0	-	5.1	6.1	103.7	0.6	104.3
Exercise of options	-	1.4	-	-	-	-	-	1.4	-	1.4
Dividends paid	-	-	(55.5)	-	-	-	-	(55.5)	-	(55.5)
Shares purchased	-	-	-	-	(2.3)	-	-	(2.3)	-	(2.3)
Shares released	-	-	-	-	9.5	-	-	9.5	-	9.5
Other movements	-	-	5.6	-	(3.9)	-	-	1.7	(2.4)	(0.7)
At 31 July 2010	**37.4**	**275.9**	**457.3**	**(4.7)**	**(34.1)**	**23.7**	**(3.6)**	**751.9**	**2.5**	**754.4**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2010

	Note	**2010 £ million**	2009 £ million
Net cash inflow/(outflow) from operating activities	17(a)	**(135.1)**	(168.8)
Net cash outflow from investing activities:			
Dividends received from associates		**8.2**	19.6
Purchase of:			
Assets let under operating leases		**(12.6)**	(12.4)
Property, plant and equipment		**(8.5)**	(8.8)
Intangible assets		**(4.7)**	(1.8)
Equity shares held for investment		**(0.2)**	(3.4)
Own shares for employee share award schemes		**(2.3)**	(22.1)
Minority interests		**(4.0)**	(0.6)
Loan book		**(97.8)**	(9.1)
Subsidiaries and associates	17(b)	**(0.4)**	(19.7)
Sale of:			
Property, plant and equipment		**2.2**	1.9
Equity shares held for investment		**3.3**	1.0
Subsidiaries	17(c)	**-**	51.1
		(116.8)	(4.3)
Net cash outflow before financing		**(251.9)**	(173.1)
Financing activities:			
Issue of ordinary share capital, net of transaction costs	17(d)	**1.4**	0.5
Equity dividends paid		**(55.5)**	(55.2)
Dividends paid to minority interests		**(0.7)**	(1.6)
Interest paid on subordinated loan capital		**(5.6)**	(5.6)
Reclassification of floating rate notes classified as available for sale		**-**	(751.3)
Debt securities issued		**197.2**	-
Net decrease in cash		**(115.1)**	(986.3)
Cash and cash equivalents at beginning of year		**1,398.3**	2,384.6
Cash and cash equivalents at end of year	17(e)	**1,283.2**	1,398.3

THE NOTES

1. Basis of preparation and accounting policies

The financial information contained in this announcement does not constitute the statutory accounts for the years ended 31 July 2010 or 31 July 2009 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts. The accounting policies used are consistent with those set out in the Annual Report 2009. The financial statements are prepared on a going concern basis.

While the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS by 15 October 2010.

The financial information for the year ended 31 July 2010 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the company's Annual General Meeting. The auditors, Deloitte LLP, have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

The Executive Committee manage the group primarily by class of business as determined by the products or services offered and present the segmental analysis on that basis. The group's activities are organised in three primary operating divisions namely Banking, Securities and Asset Management. A description of the activities of these divisions is given in the Business Review. The group previously had another primary operating division, Corporate Finance. This division was disposed of in July 2009 and has been classified as a discontinued operation in these financial statements. The group also has central functions which comprise Group Executive, Finance, Investor Relations, Legal, Human Resources, Audit, Corporate Development, Information Technology, Company Secretariat and Risk. Group administrative expenses include staff costs, legal and professional fees and property costs attributable to the central functions which support and assist the growth of the divisions. Income within group is typically immaterial and will include interest on cash balances at group. In the segmental reporting information which follows, group consists of the central functions described above as well as various non-trading head office companies and consolidation adjustments, in order that the information presented reconciles to the overall group consolidated income statement and balance sheet.

Divisions charge market prices for services rendered to other parts of the group. Funding charges between segments are determined by the Banking division's Treasury operation having regard to commercial demands. The majority, being more than 90%, of all of the group's activities and revenue are located within the British Isles.

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2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2010

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	**Total £ million**
Net interest income/(expense)	**188.5**	**(0.4)**	**7.1**	**0.3**	**195.5**	**-**	**195.5**
Other income	**83.5**	**162.6**	**89.9**	**0.2**	**336.2**	**-**	**336.2**
Operating income before exceptional items	**272.0**	**162.2**	**97.0**	**0.5**	**531.7**	**-**	**531.7**
Administrative expenses	**(118.3)**	**(100.9)**	**(91.9)**	**(20.6)**	**(331.7)**	**-**	**(331.7)**
Depreciation and amortisation	**(10.8)**	**(2.0)**	**(1.8)**	**(0.7)**	**(15.3)**	**-**	**(15.3)**
Impairment losses on loans and advances	**(63.4)**	**-**	**-**	**-**	**(63.4)**	**-**	**(63.4)**
Total operating expenses before exceptionals	**(192.5)**	**(102.9)**	**(93.7)**	**(21.3)**	**(410.4)**	**-**	**(410.4)**
Adjusted operating profit/(loss)[1]	**79.5**	**59.3**	**3.3**	**(20.8)**	**121.3**	**-**	**121.3**
Exceptional items: Impairment on investment assets	**-**	**-**	**-**	**(15.0)**	**(15.0)**	**-**	**(15.0)**
Impairment losses on goodwill	**-**	**-**	**(6.5)**	**-**	**(6.5)**	**-**	**(6.5)**
Amortisation of intangible assets on acquisition	**(0.5)**	**-**	**-**	**-**	**(0.5)**	**-**	**(0.5)**
Gain on disposal of discontinued operations	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Operating profit/(loss) before tax	**79.0**	**59.3**	**(3.2)**	**(35.8)**	**99.3**	**-**	**99.3**
Tax	**(22.5)**	**(16.0)**	**(0.5)**	**6.2**	**(32.8)**	**-**	**(32.8)**
Minority interests	**(0.3)**	**-**	**(0.3)**	**-**	**(0.6)**	**-**	**(0.6)**
Profit/(loss) after tax and minority interests	**56.2**	**43.3**	**(4.0)**	**(29.6)**	**65.9**	**-**	**65.9**
External operating income/(expense)	**284.5**	**162.2**	**90.8**	**(5.8)**	**531.7**	**-**	**531.7**
Inter segment operating income/(expense)	**(12.5)**	**-**	**6.2**	**6.3**	**-**	**-**	**-**
Segment operating income	**272.0**	**162.2**	**97.0**	**0.5**	**531.7**	**-**	**531.7**

[1]Adjusted operating profit/(loss) is stated before exceptional items, goodwill impairment, amortisation of intangible assets on acquisition, gain on disposal of discontinued operations and tax.

For the year ended 31 July 2010, the operating income before exceptional items and the operating profit before tax of the Securities division included £5.7 million (2009: £16.1 million) relating to its share of profit of associates.

The following table provides further detail on group wide operating income:

	2010 £ million	2009 £ million
Banking		
Net interest and fees on loan book:		
Retail	**104.9**	85.9
Commercial	**114.2**	99.5
Property	**36.5**	30.8
Treasury and other non-lending income	**16.4**	19.3
Securities		
Market-making and related activities	**162.2**	167.8
Asset Management		
Management fees on FuM	**52.2**	54.3
Income on Assets under Administration and deposits	**32.7**	37.6
Other income[1]	**12.1**	3.1
Group	**0.5**	3.8
Discontinued operations	**-**	36.3
Operating income before exceptional items	**531.7**	538.4

[1]Includes performance fees, income on investment assets and other income.

THE NOTES

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2010

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	**Total £ million**
Assets					
Cash and loans and advances to banks	**493.5**	**26.8**	**90.4**	**0.5**	**611.2**
Settlement balances, long trading positions and loans to money brokers[1]	**-**	**713.3**	**-**	**-**	**713.3**
Loans and advances to customers	**2,898.0**	**-**	**14.6**	**-**	**2,912.6**
Non trading debt securities	**1,448.1**	**2.0**	**132.0**	**-**	**1,582.1**
Interests in associates	**-**	**73.4**	**0.3**	**-**	**73.7**
Intangible assets	**29.6**	**28.7**	**49.0**	**0.2**	**107.5**
Other assets	**168.3**	**15.5**	**52.9**	**22.5**	**259.2**
Intercompany balances	**(475.7)**	**(27.5)**	**515.9**	**(12.7)**	**-**
Total assets	**4,561.8**	**832.2**	**855.1**	**10.5**	**6,259.6**
Liabilities					
Settlement balances, short trading positions and loans from money brokers	**-**	**597.8**	**-**	**-**	**597.8**
Deposits by banks	**37.8**	**-**	**10.3**	**-**	**48.1**
Deposits by customers	**2,469.1**	**1.2**	**645.2**	**-**	**3,115.5**
Borrowings	**1,167.8**	**4.9**	**1.5**	**297.8**	**1,472.0**
Other liabilities	**148.5**	**59.9**	**47.7**	**15.7**	**271.8**
Intercompany balances	**377.7**	**73.6**	**17.5**	**(468.8)**	**-**
Total liabilities	**4,200.9**	**737.4**	**722.2**	**(155.3)**	**5,505.2**
Equity	**360.9**	**94.8**	**132.9**	**165.8**	**754.4**
Total liabilities and equity	**4,561.8**	**832.2**	**855.1**	**10.5**	**6,259.6**
Other segmental information for the year ended 31 July 2010					
Property, plant, equipment and intangible asset expenditure	**19.9**	**1.6**	**1.9**	**2.4**	**25.8**
Employees (average number)	**1,403.0**	**260.0**	**810.0**	**72.0**	**2,545.0**

[1]£54.1 million of long trading positions in debt securities have been included with other trading balances in "Settlement balances, long trading positions and loans to money brokers" for the purpose of this summary balance sheet. These balances are included within "Debt securities" in the consolidated balance sheet.

THE NOTES

2. Segmental analysis continued

Summary Income Statement for the year ended 31 July 2009

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Net interest income/(expense)	166.9	(0.3)	14.0	1.2	181.8	(1.6)	180.2
Other income	68.6	168.1	81.0	2.6	320.3	37.9	358.2
Operating income before exceptional items	235.5	167.8	95.0	3.8	502.1	36.3	538.4
Administrative expenses	(112.3)	(100.5)	(80.8)	(20.2)	(313.8)	(37.7)	(351.5)
Depreciation and amortisation	(9.3)	(2.4)	(2.2)	(0.8)	(14.7)	(1.0)	(15.7)
Impairment losses on loans and advances	(59.9)	-	-	-	(59.9)	-	(59.9)
Total operating expenses before exceptionals	(181.5)	(102.9)	(83.0)	(21.0)	(388.4)	(38.7)	(427.1)
Adjusted operating profit/(loss)[1]	54.0	64.9	12.0	(17.2)	113.7	(2.4)	111.3
Exceptional items:							
Restructuring costs	-	(0.9)	(4.4)	(0.7)	(6.0)	-	(6.0)
Impairment losses on goodwill	-	-	(19.0)	-	(19.0)	-	(19.0)
Amortisation of intangible assets on acquisition	(0.4)	-	-	-	(0.4)	-	(0.4)
Gain on disposal of discontinued operations	-	-	-	-	-	12.4	12.4
Operating profit/(loss) before tax	53.6	64.0	(11.4)	(17.9)	88.3	10.0	98.3
Tax	(16.3)	(13.8)	(1.4)	5.4	(26.1)	0.4	(25.7)
Minority interests	(0.2)	-	(0.1)	-	(0.3)	(0.6)	(0.9)
Profit/(loss) after tax and minority interests	37.1	50.2	(12.9)	(12.5)	61.9	9.8	71.7
External operating income/(expense)	248.3	168.0	85.2	(1.2)	500.3	38.1	538.4
Inter segment operating income/(expense)	(12.8)	(0.2)	9.8	5.0	1.8	(1.8)	-
Segment operating income	235.5	167.8	95.0	3.8	502.1	36.3	538.4

[1]Adjusted operating profit/(loss) is stated before exceptional items, goodwill impairment, amortisation of intangible assets on acquisition, gain on disposal of discontinued operations and tax.

For the year ended 31 July 2009, the operating income before exceptional items and the operating profit before tax of the Securities division included £16.1 million relating to its share of profit of associates.

THE NOTES

2. Segmental analysis continued

Summary Balance Sheet at 31 July 2009

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Assets					
Cash and loans and advances to banks	27.9	24.3	145.3	0.7	198.2
Settlement balances, long trading positions and loans to money brokers[1]	-	728.9	-	-	728.9
Loans and advances to customers	2,352.6	-	12.3	-	2,364.9
Non trading debt securities	1,999.5	4.4	257.4	-	2,261.3
Interests in associates[2]	-	71.6	0.3	-	71.9
Intangible assets	24.4	29.3	53.9	-	107.6
Other assets	189.1	17.2	56.2	24.0	286.5
Intercompany balances	(332.6)	(27.6)	379.7	(19.5)	-
Total assets	4,260.9	848.1	905.1	5.2	6,019.3
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	590.7	-	-	590.7
Deposits by banks	33.0	-	15.0	-	48.0
Deposits by customers	2,241.9	1.1	676.6	-	2,919.6
Borrowings	1,417.6	18.2	1.1	-	1,436.9
Other liabilities	186.1	69.7	50.0	20.6	326.4
Intercompany balances	91.6	71.9	21.5	(185.0)	-
Total liabilities	3,970.2	751.6	764.2	(164.4)	5,321.6
Equity	290.7	96.5	140.9	169.6	697.7
Total liabilities and equity	4,260.9	848.1	905.1	5.2	6,019.3
Other segmental information for the year ended 31 July 2009					
Property, plant, equipment and intangible asset expenditure	17.2	2.2	1.8	1.1	22.3
Employees (average number)	1,316	259	805	68	2,448

[1]£37.9 million of long trading positions in debt securities have been included with other trading balances in “Settlement balances, long trading positions and loans to money brokers” for the purpose of this summary balance sheet. These balances are included within “Debt securities” in the consolidated balance sheet.
[2]Previously the interest in the group associate Mako had been presented in "Group" for the purposes of the segmental balance sheet. This has been reclassified to "Securities" in line with changes in internal management reporting.

3. Exceptional items

	2010 £ million	2009 £ million
Impairment on investment assets	**(15.0)**	-
Restructuring costs	**-**	(6.0)
	(15.0)	(6.0)

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

The exceptional item above relates to impairment of available for sale equity shares and is separately disclosed on the face of the consolidated income statement (2009: included within administrative expenses).

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4. Goodwill impairment

Goodwill impairment reviews are carried out at least annually using value in use calculations. This calculation typically uses discounted cash flow projections based on the most recent budgets and three year plans to determine the recoverable amount of each cash generating unit ("CGU"). For cash flows beyond the group's three year planning horizon, a terminal value was calculated using an annual growth rate of 3% for each CGU, except where circumstances warrant a different rate. The resulting cash flows were then discounted using a rate of 12.2%, which represents the group's estimated weighted average cost of capital of 9%, grossed up by the group effective tax rate, which management feels is appropriate due to the use of pre-tax operating cash flows in the model. As a result of our value in use calculations an impairment charge of £6.5 million has been recognised in Asset Management in response to continuing difficult trading conditions.

The cash flows used in these value in use calculations are sensitive to the impact of changes in the assumptions for profit before tax, discount rates, and long-term growth rates. Management believes that any reasonably possible change in the key assumptions which have been used would not lead the carrying value of any CGU to exceed its recoverable amount.

5. Tax expense

	2010 £ million	2009 £ million
Tax recognised in the income statement		
Current tax:		
UK corporation tax	**29.9**	26.2
Foreign tax	**1.8**	0.8
Adjustments in respect of previous years	**3.4**	(0.1)
	35.1	26.9
Deferred tax:		
Deferred tax expense/(credit) for the current year	**0.8**	(0.8)
Adjustments in respect of previous years	**(3.1)**	-
Taxation charge	**32.8**	26.1
Tax recognised in equity:		
Current tax relating to:		
Financial instruments classified as available for sale	**7.4**	(5.1)
Share-based transactions	**(0.5)**	-
Deferred tax relating to:		
Cash flow hedging	**2.3**	(4.4)
Financial instruments classified as available for sale	**-**	0.6
Share-based transactions	**(0.2)**	0.5
	9.0	(8.4)

The effective tax rate for the year is 33.0% (2009: 29.6%). The effective tax rate for the period is above the UK corporation tax rate of 28% due to non tax deductible impairment on investment assets and goodwill, other disallowable expenditure, and a reduction in the deferred tax asset due to a reduction in the UK corporation tax rate. These effects are offset by the inclusion of the share of profit of associates in the Consolidated Income Statement on an after tax basis in accordance with IAS 1 "Presentation of financial statements" and by the net lower tax rates applied to profits arising outside the UK.

6. Discontinued operations

In the prior year the sale of the Corporate Finance division for total net cash consideration of £67 million (including the settlement of an intra-group loan) was completed. Gross consideration was £75 million after contribution of £8 million of working capital to the division prior to completion. The transaction was completed on 1 July 2009 on which date control passed to the acquirer. The gain on disposal was calculated based on the cash consideration received after settlement of an intra-group loan, less the group's share of net assets of the Corporate Finance division at date of disposal and directly attributable costs of sale. In addition, in accordance with IFRS 5, the cumulative exchange differences related to the division were recycled to the income statement as part of the gain on disposal.

The results of the discontinued operations which have been included in the Consolidated Income Statement in the year to 31 July 2009 were as follows:

	2009 £ million
Operating income	36.3
Operating expenses	(38.7)
Operating loss before tax	(2.4)
Tax	0.4
Loss after tax	(2.0)
Gain on disposal of discontinued operations	12.4
Tax	-
Gain after tax on disposal of discontinued operations	12.4
Profit for the period from discontinued operations	10.4

The net assets of the Corporate Finance division at the date of disposal were as follows:

Property, plant and equipment	2.9
Loans and advances to banks	24.2
Other receivables	9.7
Other assets	4.8
Intra-group loan	(42.5)
Other liabilities	(13.4)
Attributable goodwill	33.6
	19.3

In the year to 31 July 2009 the Corporate Finance division contributed £9.2 million to the group's net operating cash flows and paid £16.1 million in respect of investing activities.

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7. Earnings per share

Earnings per share is presented on six bases. On a continuing operations basis the following are presented: basic; diluted; adjusted basic; and adjusted diluted. These measures exclude the effect of the Corporate Finance division which was disposed of in July 2009 and has been classified as a discontinued operation. On a continuing and discontinued operations basis the following are presented: basic and diluted.

Basic earnings per share is in respect of all activities and diluted earnings per share takes into account the dilution effects which would arise on the conversion or vesting of share options and share awards in issue during the period.

On a continuing operations basis, adjusted basic earnings per share excludes discontinued activities, exceptional items, impairment losses on goodwill, amortisation of intangible assets on acquisition and their tax effects to enable comparison of the underlying earnings of the business with prior periods and adjusted diluted earnings per share takes into account the same dilution effects as for diluted earnings per share described above.

	2010	2009
Earnings per share		
Continuing operations		
Basic	**46.0p**	43.6p
Diluted	**45.2p**	43.2p
Adjusted basic	**61.3p**	60.5p
Adjusted diluted	**60.3p**	59.9p
Continuing and discontinued operations		
Basic	**46.0p**	50.5p
Diluted	**45.2p**	50.0p

	£ million	£ million
Profit attributable to shareholders	**65.9**	71.7
Gain for the period from discontinued operations	**-**	(10.4)
Element attributable to minority interests	**-**	0.6
Profit attributable to shareholders on continuing operations	**65.9**	61.9
Adjustments:		
Exceptional items	**15.0**	6.0
Tax effect of exceptional items	**-**	(1.5)
Impairment losses on goodwill	**6.5**	19.0
Amortisation of intangible assets on acquisition	**0.5**	0.4
Adjusted profit attributable to shareholders on continuing operations	**87.9**	85.8

	million	million
Average number of shares		
Basic weighted	**143.4**	141.9
Effect of dilutive share options and awards	**2.4**	1.4
Diluted weighted	**145.8**	143.3

7. Earnings per share continued

The gain for the year from discontinued operations, net of any minority interest effect, is £nil (2009: £9.8 million). The basic earnings per share from discontinued operations is nil (2009: 6.9p) and the diluted earnings per share from discontinued operations is nil (2009: 6.8p).

Adjusted basic earnings per share on a continuing and discontinued basis was 61.3p (2009: 67.4p), based on adjusted profit attributable to shareholders on continuing and discontinued operations of £87.9 million (2009: £95.7 million).

8. Dividends

	2010 £ million	2009 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2009: 25.5p (2008: 25.5p)	**36.3**	36.2
Interim dividend for current financial year paid in April 2010: 13.5p (2009: 13.5p)	**19.2**	19.0
	55.5	55.2

A final dividend relating to the year ended 31 July 2010 of 25.5p, amounting to an estimated £36.4 million, is proposed. This final dividend, which is due to be paid on 19 November 2010, is not reflected in these financial statements.

9. Loans and advances to customers

	2010 £ million	2009 £ million
Repayable		
On demand	**49.6**	37.9
Within three months	**1,069.3**	707.7
Between three months and one year	**822.9**	827.6
Between one and two years	**490.6**	425.1
Between two and five years	**554.5**	426.3
After more than five years	**12.8**	11.5
Impairment provisions	**(87.1)**	(71.2)
	2,912.6	2,364.9
Impairment provisions on loans and advances		
At 1 August	**71.2**	50.3
Charge for the year	**63.4**	59.9
Amounts written off net of recoveries	**(47.5)**	(39.0)
Impairment provisions at 31 July	**87.1**	71.2

10. Debt securities

2010	Held for trading £ million	Held to maturity assets £ million	Available for sale assets £ million	Loans and receivables £ million	**Total £ million**
Long trading positions in debt securities	**54.1**	**-**	**-**	**-**	**54.1**
Certificates of deposit	**-**	**-**	**-**	**672.1**	**672.1**
Floating rate notes	**-**	**9.0**	**615.4**	**-**	**624.4**
Gilts and government guaranteed debt	**-**	**-**	**285.6**	**-**	**285.6**
	54.1	**9.0**	**901.0**	**672.1**	**1,636.2**

2009	Held for trading £ million	Held to maturity assets £ million	Available for sale assets £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	37.9	-	-	-	37.9
Certificates of deposit	-	-	-	1,202.2	1,202.2
Floating rate notes	-	19.4	754.7	-	774.1
Gilts and government guaranteed debt	-	-	285.0	-	285.0
	37.9	19.4	1,039.7	1,202.2	2,299.2

The fair value of items carried at amortised cost together with their book value is as follows:

	2010		2009	
	Book value £ million	**Fair value £ million**	Book value £ million	Fair value £ million
Certificates of deposit classified as loans and receivables	**672.1**	**672.4**	1,202.2	1,207.9
Floating rate notes held to maturity	**9.0**	**8.8**	19.4	18.8
	681.1	**681.2**	1,221.6	1,226.7

10. Debt securities continued

Movements on the book value of gilts and government guaranteed debt and floating rate notes held during the year comprise:

	Gilts and government guaranteed debt	Floating rate notes		
	Available for sale £ million	Available for sale £ million	Held to maturity £ million	Total £ million
At 1 August 2008	-	751.3	23.4	774.7
Additions	286.0	-	-	286.0
Disposals	-	(20.0)	-	(20.0)
Redemptions at maturity	-	-	(2.0)	(2.0)
Currency translation differences	-	44.4	0.8	45.2
Impairment	-	-	(2.8)	(2.8)
Increase/(decrease) in carrying value of financial instruments classified as available for sale	(1.0)	(21.0)	-	(22.0)
At 31 July 2009	285.0	754.7	19.4	1,059.1
Disposals	-	(32.5)	-	(32.5)
Redemptions at maturity	-	(137.1)	(10.3)	(147.4)
Currency translation differences	-	4.1	(0.1)	4.0
Increase/(decrease) in carrying value of financial instruments classified as available for sale	0.6	26.2	-	26.8
At 31 July 2010	**285.6**	**615.4**	**9.0**	**910.0**

In respect of floating rate notes, both classified as available for sale and held to maturity, £132.4 million (2009: £141.5 million) were due to mature within one year and £25.0 million (2009: £25.9 million) have been issued by corporates with the remainder issued by banks and building societies.

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11. Equity shares

	2010 £ million	2009 £ million
Equity shares classified as held for trading	**31.5**	24.0
Other equity shares	**28.4**	38.0
	59.9	62.0

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

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2008	33.0	16.2	49.2
Additions	0.1	3.3	3.4
Disposals	-	(1.0)	(1.0)
Currency translation differences	(0.7)	-	(0.7)
Disposals of subsidiary undertakings	(0.6)	(0.4)	(1.0)
Increase/(decrease) in carrying value of:			
Equity shares classified as available for sale	(6.4)	-	(6.4)
Unlisted equity shares held at fair value	-	(5.5)	(5.5)
At 1 July 2009	25.4	12.6	38.0
Additions	-	0.2	0.2
Disposals	-	(10.9)	(10.9)
Currency translation differences	(0.3)	-	(0.3)
Increase/(decrease) in carrying value of:			
Equity shares classified as available for sale	(2.4)	-	(2.4)
Unlisted equity shares held at fair value	-	3.8	3.8
At 31 July 2010	**22.7**	**5.7**	**28.4**

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12. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2008	176.9	21.1	3.2	201.2
Additions	-	1.8	-	1.8
Acquisition of subsidiary	24.1	-	1.7	25.8
Foreign exchange	3.0	-	-	3.0
Disposals	(34.9)	(1.1)	-	(36.0)
At 31 July 2009	169.1	21.8	4.9	195.8
Additions	1.4	4.7	2.1	8.2
Foreign exchange	0.7	-	-	0.7
At 31 July 2010	**171.2**	**26.5**	**7.0**	**204.7**
Amortisation and impairment				
At 1 August 2008	50.1	16.7	-	66.8
Amortisation charge for the year	-	2.7	0.4	3.1
Impairment charge	19.0	-	-	19.0
Disposals	-	(0.7)	-	(0.7)
At 31 July 2009	69.1	18.7	0.4	88.2
Amortisation charge for the year	-	2.0	0.5	2.5
Impairment charge	6.5	-	-	6.5
At 31 July 2010	**75.6**	**20.7**	**0.9**	**97.2**
Net book value at 31 July 2010	**95.6**	**5.8**	**6.1**	**107.5**
Net book value at 31 July 2009	100.0	3.1	4.5	107.6
Net book value at 1 August 2008	126.8	4.4	3.2	134.4

13. Other assets and other liabilities

	2010 £ million	2009 £ million
Prepayments, accrued income and other assets		
Prepayments and accrued income	**88.6**	110.1
Trade debtors	**17.7**	14.2
Other	**22.5**	17.5
	128.8	141.8
Accruals, deferred income and other liabilities		
Accruals and deferred income	**122.0**	141.3
Creditors	**81.9**	81.9
Provisions	**14.0**	26.1
Other	**33.4**	55.2
	251.3	304.5

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14. Settlement balances and short positions

	2010 £ million	2009 £ million
Settlement balances	**498.1**	505.2
Short positions held for trading:		
Debt securities	**48.6**	71.4
Equity shares	**18.4**	14.1
	565.1	590.7

15. 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**
At 31 July 2010							
Deposits by banks	**23.0**	**25.1**	**-**	**-**	**-**	**-**	**48.1**
Deposits by customers	**782.0**	**787.6**	**1,301.3**	**186.4**	**56.0**	**2.2**	**3,115.5**
Loans and overdrafts from banks	**13.7**	**437.5**	**617.2**	**50.0**	**60.0**	**-**	**1,178.4**
Debt securities in issue	**-**	**-**	**-**	**-**	**20.8**	**197.8**	**218.6**
	818.7	**1,250.2**	**1,918.5**	**236.4**	**136.8**	**200.0**	**4,560.6**

Included in loans and overdrafts from banks is £402.2 million of committed sale and repurchase facilities with a residual maturity of between three months and one year (2009: £405.1 million with a residual maturity of between one and two years). The group issued £200 million of 6.5% senior unsecured fixed rate notes in February 2010 due to mature 10 February 2017 which have been classified as debt securities in issue. Of the debt securities in issue, £20.8 million mature on 20 April 2015 and £197.8 million on 10 February 2017.

	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 2009							
Deposits by banks	17.2	19.6	10.6	0.6	-	-	48.0
Deposits by customers	768.7	916.6	345.5	814.9	73.9	-	2,919.6
Loans and overdrafts from banks	26.6	0.6	199.7	1,003.6	110.0	-	1,340.5
Debt securities in issue	-	-	-	-	-	21.4	21.4
	812.5	936.8	555.8	1,819.1	183.9	21.4	4,329.5

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16. Capital

The group's individual regulated entities and the group as a whole complied with all of the externally imposed capital requirements to which they are subject for the years ended 31 July 2010 and 2009. A full analysis of the composition of regulatory capital and Pillar 1 risk weighted assets is shown in the following table, including a reconciliation between equity and core tier 1 capital after deductions.

	2010 £ million	2009 £ million
Core tier 1 capital		
Called up share capital	**37.4**	37.4
Share premium account	**275.9**	274.5
Retained earnings and other reserves	**490.6**	477.8
Minority interests	**2.5**	4.3
Deductions from core tier 1 capital		
Intangible assets	**(107.5)**	(107.6)
Goodwill in associates	**(51.9)**	(49.0)
Investment in own shares	**(43.7)**	(50.9)
Unrealised losses on available for sale equity shares	**-**	(4.6)
Core tier 1 capital after deductions	**603.3**	581.9
Tier 2 capital		
Subordinated debt	**75.0**	75.0
Unrealised gains on available for sale equity shares	**7.6**	-
Tier 2 capital	**82.6**	75.0
Deductions from total tier 1 and tier 2 capital		
Participation in a non-financial undertaking	**(1.8)**	(4.8)
Other regulatory adjustments	**(0.3)**	(0.5)
Total regulatory capital	**683.8**	651.6
Risk weighted assets (notional)		
Credit and counterparty risk	**3,230.8**	2,840.2
Operational risk[1]	**971.9**	993.8
Market risk[1]	**136.0**	102.8
	4,338.7	3,936.8
	%	%
Core tier 1 capital ratio	**13.9**	14.8
Total capital ratio	**15.8**	16.6

[1] Operational and market risk include a notional adjustment at 8% in order to determine notional risk weighted assets.

Reconciliation between equity and core tier 1 capital after deductions

	2010 £ million	2009 £ million
Equity	**754.4**	697.7
Regulatory deductions from equity:		
Intangible assets	**(107.5)**	(107.6)
Goodwill in associates	**(51.9)**	(49.0)
Other reserves not recognised for core tier 1 capital:		
Cash flow hedging reserve	**3.6**	9.7
Available for sale movements reserve[1]	**4.7**	31.1
Core tier 1 capital after deductions	**603.3**	581.9

[1]Total available for sale movements reserve less unrealised losses on available for sale equity shares.

17. Consolidated cash flow statement reconciliation

	2010 £ million	2009 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit on ordinary activities before tax	**99.3**	98.3
Tax paid	**(29.7)**	(21.0)
(Increase)/decrease in:		
Interest receivable and prepaid expenses	**21.5**	(20.8)
Net settlement balances and trading positions	**(82.3)**	80.2
Net money broker loans against stock advanced	**105.0**	(118.5)
Increase/(decrease) in:		
Interest payable and accrued expenses	**(19.3)**	8.3
Depreciation, amortisation and goodwill impairment losses on goodwill	**22.3**	35.1
Net cash inflow from trading activities	**116.8**	61.6
(Increase)/decrease in:		
Loans and advances to banks not repayable on demand	**2.0**	(1.9)
Loans and advances to customers	**(453.9)**	(38.9)
Floating rate notes held to maturity	**10.4**	4.0
Floating rate notes classified as available for sale	**139.3**	(3.4)
Debt securities held for liquidity	**(0.6)**	(285.0)
Other assets less other liabilities	**17.0**	5.0
Increase/(decrease) in:		
Deposits by banks	**0.1**	(250.2)
Deposits by customers	**195.9**	277.9
Loans and overdrafts from banks	**(162.1)**	227.1
Non-recourse borrowings	**-**	(165.0)
Net cash (outflow)/inflow from operating activities	**(135.1)**	(168.8)
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries and associates		
Cash consideration in respect of current year purchases	**-**	(17.9)
Loan stock redemptions and deferred consideration paid in respect of prior year purchases	**(0.4)**	(2.1)
Net movement in cash balances	**-**	0.3
	(0.4)	(19.7)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries		
Cash consideration received	**-**	75.3
Cash and cash equivalents disposed of	**-**	(24.2)
	-	51.1
(d) Analysis of changes in financing		
Share capital (including premium) and subordinated loan capital:		
Opening balance	**386.9**	386.4
Shares issued for cash, net of transaction costs	**1.4**	0.5
Closing balance	**388.3**	386.9

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17. Consolidated cash flow statement reconciliation

	2010 £ million	2009 £ million
(e) Analysis of cash and cash equivalents		
Cash and balances at central banks	**452.7**	1.7
Loans and advances to banks repayable on demand	**158.4**	194.4
Certificates of deposit	**672.1**	1,202.2
	1,283.2	1,398.3

Cash and cash equivalents comprise balances which have an original maturity of three months or less, together with highly liquid investments. The portfolio of floating rate notes classified as available for sale were reclassified during the prior period for cash flow presentation purposes since the majority of the portfolio had been hedged as collateral for sale and repurchase agreements and the market for those instruments was no longer regarded as highly liquid due to the prevailing economic environment.

18. Post balance sheet event

Since the year end the group has acquired 100% of Chartwell Group Limited, an IFA with over £650 million of client assets, for consideration of approximately £17 million.

Cautionary statement

Certain statements included or incorporated by reference within this preliminary results announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. By their nature, forward looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this preliminary results announcement should be construed as a profit forecast. This preliminary results announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares and other securities of the company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this preliminary results announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this preliminary results announcement shall be governed by English Law. Nothing in this preliminary results announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.