

Close Brothers Group plc
Interim Report 2014



Close Brothers is a modern merchant banking group which makes loans, takes deposits, trades securities and provides financial advice and investment management services.

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

Corporate Overview

Financial Highlights

for the six months ended 31 January 2014

£97.2m

(2013: £80.5m¹)

Adjusted² operating profit

50.4p

(2013: 42.2p)

Adjusted³ basic earnings
per share

£94.8m

(2013: £78.0m)

Operating profit before tax

49.2p

(2013: 40.8p)

Basic earnings per share

£72.4m

(2013: £59.4m)

Profit attributable to shareholders

16.5p

(2013: 15.0p)

Ordinary dividend per share

1 The 2013 adjusted operating profit of £79.8 million has been restated to £80.5 million following the adoption of IAS 19 (Revised) Employee Benefits and, where applicable, 2013 balances have been restated. Further details are set out in notes 1 and 17 to the financial statements.

2 Stated before exceptional items and amortisation of intangible assets on acquisition.

3 Stated before exceptional items, amortisation of intangible assets on acquisition and the tax effect of such adjustments.

All data in this report relates to the six month period to 31 January, unless otherwise indicated.

Corporate Overview

Chairman's and Chief Executive's Statement



Strone Macpherson, Chairman



Preben Prebensen, Chief Executive

Close Brothers has delivered a strong result in the first half of the year, building on a good financial performance in 2013. The group has continued to make progress, delivering good growth and strong returns.

Against an improving economic backdrop, we continue to build scale in our niche markets, while focusing on maintaining high quality and sustainable earnings. We have increased the interim dividend by 10% to 16.5p (2013: 15.0p) and the group is well placed going forward, remaining strongly capitalised and funded.

Strong First Half Performance

We are pleased to report good growth in both revenues and profit, with all three divisions contributing to an improved performance in the first half. Adjusted operating income increased 14% to £322.0 million (2013: £283.0 million) and adjusted operating profit increased 21% to £97.2 million (2013: £80.5 million). This reflects a good performance in the Banking division, supported by improving market sentiment for Securities and continued progress in the Asset Management division.

In the period adjusted basic earnings per share increased 19% to 50.4p (2013: 42.2p) while basic earnings per share increased 21% to 49.2p (2013: 40.8p).

Reporting for the first time under the Basel III capital framework implemented in Europe through the Capital Requirements Directive IV ("CRD IV"), both our common equity tier 1 capital ratio at 13.2% (31 July 2013: core tier 1 capital ratio of 13.3%) and leverage ratio at 9.3% (31 July 2013: 9.8%) remain strong and well ahead of regulatory requirements. Both these ratios reflect a new regulatory deduction for foreseeable dividends in line with new banking industry standards. We

maintain our strong balance sheet, with £6.4 billion (31 July 2013: £6.3 billion) of total available funding, and we continue to hold a prudent level of high quality liquidity.

Overall, the group's return on opening equity continued to improve, at 18% for the period, up from 16% in 2013.

Clear business model supporting sustainable growth

As our businesses grow, we continue to benefit from applying a clear, consistent strategy and from remaining focused on our traditional merchant banking values. We retain the culture and characteristics of a focused, local bank and our people in all three divisions, although serving different markets, share common principles through their integrity, prudence and commitment to client service. Importantly, we have always recognised the need to maintain a strong balance sheet and remain well capitalised, which has served us well in a constantly evolving commercial and regulatory environment. The longevity of our client relationships and our leading market positions reflect how we have consistently supported our clients through all market conditions. We believe the same principles, which have

served us well in the past, will continue to serve us well in the future.

In the Banking division, we continue to benefit from our local lending model and commitment to personal service, achieving consistently high levels of repeat business. Our lenders are specialists in their particular industries, possessing expert knowledge which enables them to support small businesses and individuals in their communities. As a result we have continued to grow the loan book, despite the expected signs of increasing competition.

The loan book increased by 5% over the first half to £4.9 billion (31 July 2013: £4.6 billion), with our lending remaining predominantly secured, small ticket and short-term in nature. By continuing to apply the same model to our lending, we have maintained our strong returns. In the first half of the year, the net interest margin remained broadly stable at 8.8% (2013: 8.9%) while the bad debt ratio has continued to improve to 1.0% (2013: 1.2%). Credit risk is managed at local level with central oversight, based on the experience and expertise of our lenders, while we continue to invest in our people and technology to provide a robust credit infrastructure to support our growing businesses. Overall, the return on net loan book has improved to 3.8% (2013: 3.7%) and the division continues to generate good profit growth, with adjusted operating profit increasing 14% to £89.6 million (2013: £78.3 million).

In Securities, Winterflood has remained committed to providing liquidity and flexible execution services to retail brokers and institutions in all market conditions. Through a combination of our traditional trading values, our ongoing focus on our core market-making activities, together with the performance of Winterflood's own cutting edge technology, we have maintained our market leading position.

As a result, Winterflood was well positioned to benefit from improving trading conditions in the first half of the year and its adjusted operating profit increased by £6.0 million to £13.4 million (2013: £7.4 million). In particular, the business recorded just one loss day in the period, despite periods of volatility, reflecting the skill of our market-makers and the culture embedded in our business to maximise profitability and minimise risk in all market conditions. Overall, supported by a consistent trading performance for Seydler, adjusted operating profit for the Securities division increased to £16.6 million (2013: £10.5 million).

In Asset Management, we have developed a scalable business model with a range of investment products, competitive and transparent pricing and advanced platform technology to support our advisers and clients. We aim to support our clients through

every stage of their financial life cycle, providing a full suite of wealth management services, with relevant and appropriate financial planning advice, multi-asset investment management and platform technology. We have built our proposition to provide clients with everything they need to create and implement a lifetime financial plan, with the flexibility to choose the services they require according to their personal preference.

Assets under Management (“AuM”) increased 2% in the first half to £9.3 billion (31 July 2013: £9.1 billion) reflecting net inflows and modest market movements. Our investment propositions continue to perform well with the majority of our core direct funds and bespoke portfolios outperforming their respective peer groups in the period.

We also continue to grow revenues through sales of our integrated core private client proposition, which combines advice, platform technology and investment management. Overall, the division’s performance continues to improve and adjusted operating profit increased to £3.2 million (2013: £1.1 million).

Investing in strengthening our core capabilities

Although we operate within an established model, and our strategy is unchanged, we are always seeking ways to enhance our existing model. We remain focused on streamlining our processes, developing our technologies and maximising profitability through increased efficiency and productivity. In particular, our competitive advantage is evolving as we grow. We are large enough to have the resources to invest across our businesses while at the same time we remain small enough to implement change effectively across the group.

In the Banking division, by not deviating from our lending model, we maintain our strong margins and returns, while at the same time, continually investing in technology and customer service. For example, we are investing in developing our mobile technology and enhancing our point of sale capabilities which will further increase the speed and flexibility of our decision making. Similarly, to ensure our proposition remains robust and secure, we are continuing to invest in improving our IT infrastructure across the business.

In the same way, for Winterflood, our ability to offer clients the best technology, service and prices supports our leading competitive positioning. Around 20% of employees are focused on IT and in-house development, which enables us to implement competitive and fast trading solutions to meet a range of client led requirements.

In Asset Management, in addition to benefiting from operating leverage as we build scale, we

are also focused on working with our financial advisers to increase their capacity. As an example, we are piloting a more efficient process for providing financial advice to our clients, built around comprehensive financial planning tools, automated business processing and enhanced client reporting.

Most importantly, across the group we are continually developing our high touch client service offering which underpins our brand. We have a strong corporate culture of aligned and engaged financial services professionals who are focused on building our customer relationships. Our investment in staff development and training is rewarded through long-term client relationships, high levels of repeat business and positive client satisfaction surveys. As we grow, we maintain our market leadership by continually improving our distribution networks and attracting people who are the best in their niche markets.

Continuing to benefit from our market leading positioning

Investor sentiment improved in the first half and we are seeing early signs of broader economic confidence returning. In particular, there is increasing recognition of the importance SMEs will play in the UK economic recovery. The entrepreneurial and innovative culture of small businesses resonates strongly with our internal culture at Close Brothers, and our experience and expertise in servicing SMEs positions us well to benefit from the recovery.

In the Banking division, we have been providing consistent support and tailored lending to the UK’s SMEs and their intermediaries for over 25 years. As expected for this stage in the cycle, we are seeing an increase in competition in some of our markets. However, the supply of credit is still far off pre-financial crisis levels and, while we have not yet seen a significant improvement in SME demand, we expect to benefit from this as the economy continues to improve. Overall, we maintain our strong position in this market and will continue to grow.

Market conditions for Securities have improved, resulting in more positive trading conditions and a return in risk appetite. In particular, retail investor activity has increased in the volatile and less liquid AIM and small cap sectors where Winterflood’s market-makers are particularly skilled. The return in market confidence is also encouraging companies to consider raising capital via a stock market listing and IPO pipelines look strong for both the Main Market and AIM. For Winterflood, improving primary market conditions are a potential catalyst for increased secondary market activity and create more trading opportunities, especially for retail investors. We are well positioned to benefit from our market leading position if this trend continues.

In Asset Management, our advisers and investment professionals have accumulated extensive experience in a range of different economic cycles which means that we are able to provide a trusted, dependable service in all market conditions. Overall we see good growth opportunities in our core markets and we are well placed to benefit from developments in the UK wealth management market.

Board Changes

We have further strengthened our board with the appointment of Bridget Macaskill in November 2013 and Lesley Jones in December 2013 as independent non-executive directors.

Bridget Macaskill is currently President and Chief Executive Officer at First Eagle Investment Management LLC. She was previously a non-executive director of several UK listed companies including Prudential plc and J. Sainsbury plc.

Lesley Jones recently retired as Group Chief Credit Officer of Royal Bank of Scotland plc and has extensive banking experience, having also held several line management positions within Citigroup from 1978 to 2008.

Outlook

We are confident in our strategy, see good opportunities for growth and will continue to deliver strong returns for our shareholders.

In the Banking division, we expect to continue to deliver good growth at attractive margins. Winterflood is well positioned to continue to benefit from a stronger cyclical recovery, particularly if current market conditions on AIM continue. In Asset Management we continue to make progress towards our profitability target as the business builds scale.

Our business model, strong performance and financial position ensure that we are well placed going forward and we remain confident in the outlook for the year.

Business Review

Overview

Close Brothers has delivered a strong result for the first half of the 2014 financial year driven by continued good performance in the Banking division, improving market sentiment in Securities and continued progress in Asset Management. Overall, adjusted operating profit increased 21% to £97.2 million (2013: £80.5 million).

Strong Profit Growth

Total adjusted operating income rose 14% to £322.0 million (2013: £283.0 million) in the first half of the financial year. This was due to good income growth in the Banking division, higher margin trading in Securities, particularly on AIM and continued growth in Asset Management's private client asset base.

The group has recorded strong profit growth in the period and while we have maintained a disciplined approach to costs, we are also committed to investing in the capacity to support continued growth in our businesses. Adjusted operating expenses increased 14% to £202.1 million (2013: £176.7 million), principally due to volume driven costs associated with loan book growth in the Banking division. The variable cost model in the Securities division meant that its expenses increased as trading performance improved and Asset Management costs remained broadly stable. As a result the group's expense/income ratio remained stable at 63% (2013: 63%) and the compensation ratio (total staff costs on adjusted operating income excluding associate income) was unchanged at 38% (2013: 38%).

Impairment losses on loans and advances ("bad debts") reduced to £22.7 million (2013: £25.8 million) reflecting strong credit performance across the portfolio. As a result, the bad debt ratio improved to 1.0% (2013: 1.2%).

Total adjusted operating profit for the group increased 21% to £97.2 million (2013: £80.5 million), principally driven by continued good profit growth in the Banking division. The loan book has grown 5% in the first half of the year and 11% over the last 12 months which, together with the continued improvement in the credit environment, led to adjusted operating profit growth in the Banking division of 14% to £89.6 million (2013: £78.3 million). Recovering equity market sentiment resulted in a 58% growth in Securities' adjusted operating profit to £16.6 million (2013: £10.5 million). The Asset Management division continued to make progress delivering adjusted operating profit of £3.2 million (2013: £1.1 million). The net of group income and expenses increased to a loss of £12.2 million (2013: loss of £9.4 million) for the first half as the prior period benefited from one-off income of £1.7 million. Underlying group costs increased by 7% to £12.4 million (2013: £11.6 million) in the period. Overall, the group's operating margin improved to 30% (2013: 28%) and return on opening equity increased to 18% (2013: 16%).

There were no exceptional items in the period. In line with our accounting policy, we have recorded a charge for amortisation of intangible assets on acquisition of £2.4 million (2013: £2.5 million). As a result, operating profit before tax increased 22% to £94.8 million (2013: £78.0 million).

The tax charge for the period was £22.2 million (2013: £18.0 million), which corresponds to an effective tax rate of 23% (2013: 23%), and is slightly above the UK corporation tax rate of 22% (2013: 24%).

Profit attributable to shareholders increased 22% to £72.4 million (2013: £59.4 million) and basic earnings per share increased 21% to 49.2p (2013: 40.8p). Excluding amortisation of intangible assets on acquisition, adjusted basic earnings per share increased 19% to 50.4p (2013: 42.2p).

Dividend per share

The board has declared an interim dividend per share of 16.5p (2013: 15.0p), representing a year on year increase of 10%. This reflects strong profit growth in the period which has enabled the group to increase the dividend in line with our progressive dividend policy. The dividend will be paid on 23 April 2014 to shareholders on the register at 21 March 2014.

Group Income Statement

	First half 2014 £ million	First half 2013 £ million	Change %
Adjusted operating income	322.0	283.0	14
Adjusted operating expenses	(202.1)	(176.7)	14
Impairment losses on loans and advances	(22.7)	(25.8)	(12)
Adjusted operating profit	97.2	80.5	21
Amortisation of intangible assets on acquisition	(2.4)	(2.5)	(4)
Operating profit before tax	94.8	78.0	22
Tax	(22.2)	(18.0)	23
Non-controlling interests	(0.2)	(0.6)	(67)
Profit attributable to shareholders	72.4	59.4	22
Adjusted basic earnings per share	50.4p	42.2p	19
Basic earnings per share	49.2p	40.8p	21
Ordinary dividend per share	16.5p	15.0p	10

Note: Adjusted operating income, expenses, operating profit and earnings per share excludes the effect of amortisation of intangible assets on acquisition, and the tax effect of such adjustments. There were no exceptional items in the period.

Divisional Adjusted Operating Profit/(Loss)

	First half 2014		First half 2013		Change %
	£ million	%	£ million	%	
Banking	89.6	82	78.3	87	14
Securities	16.6	15	10.5	12	58
Asset Management	3.2	3	1.1	1	
Total divisions	109.4	100	89.9	100	22
Group	(12.2)		(9.4)		30
Adjusted operating profit	97.2		80.5		21

Business Review

Overview continued

Balance Sheet

Simple and transparent balance sheet

The group has maintained its simple and transparent balance sheet. During the period, total assets increased by 4% to £7,136.2 million (31 July 2013: £6,831.1 million) driven by growth in the loan book as well as a higher level of settlement balances at the balance sheet date.

Loans and advances to customers increased by 5% to £4,855.5 million (31 July 2013: £4,645.6 million) and accounted for 68% (31 July 2013: 68%) of the group's total assets. The group continues to apply consistent lending principles, underpinned by strong credit discipline and prudent loan-to-value ratios, as it grows. The loan book has remained small ticket, around 90% secured on assets in which we have specialist knowledge, and short-term with the average maturity unchanged at 13 months (31 July 2013: 13 months).

We have continued to optimise our balance sheet efficiency and therefore cash and loans and advances to banks have reduced by 6% to £958.6 million (31 July 2013: £1,025.2 million). The group's holdings of high quality liquid assets reduced by 7% to £910.0 million (31 July 2013: £982.0 million) with substantially all of the assets deposited at the Bank of England. These high quality liquid assets, held to support the group's banking operations, remain comfortably ahead of regulatory requirements.

Settlement balances, long and short trading positions and loans to and from money brokers reflect the market-making activity in the Securities division at the balance sheet date. As a result of higher trading activity immediately preceding 31 January 2014, these assets increased to £775.6 million (31 July 2013: £595.5 million) on the asset side and to £683.3 million (31 July 2013: £491.7 million) on the liability side, although the net balance decreased slightly to £92.3 million (31 July 2013: £103.8 million).

Deposits by customers grew by 3% to £4,149.3 million (31 July 2013: £4,015.4 million); this was sufficient to meet the group's funding requirements and therefore borrowings, which relate to the group's wholesale funding, decreased slightly to £1,145.3 million (31 July 2013: £1,170.2 million) at the period end.

Total equity increased to £864.7 million (31 July 2013: £836.5 million) reflecting profit for the period of £72.6 million offset by the final dividend payment of £42.9 million.

Funding and liquidity

The objective of the group's Treasury function remains to fund the loan book, focusing on the diversity and maturity of its funding, whilst maintaining a sound level of high quality liquidity.

Diverse range of funding sources

The group maintained a strong funding position in the period with good access to a diverse range of funding sources. Total group funding at 31 January 2014 increased 2% to £6,416.9 million (31 July 2013: £6,267.9 million), principally driven by growth in customer deposits to fund loan book growth. The group grew its more competitively priced corporate deposit base in the period by £227.4 million replacing more expensive retail deposits as they matured. This continued to represent a prudent level of funding to support growth in the loan book and equated to 132% (31 July 2013: 135%) of the loan book at 31 January 2014.

At 31 January 2014, wholesale funding included the group bond of £205.1 million (31 July 2013: £204.9 million) as well as drawn and undrawn facilities of £1,197.8 million (31 July 2013: £1,211.1 million). During the period the group renewed one facility that was approaching maturity and substantially all of its facilities now have a maturity profile of greater than one year.

Group Balance Sheet

	31 January 2014 £ million	31 July 2013 £ million
Assets		
Cash and loans and advances to banks	958.6	1,025.2
Settlement balances, long trading positions and loans to money brokers	775.6	595.5
Loans and advances to customers	4,855.5	4,645.6
Non-trading debt securities	61.2	96.2
Intangible assets	142.8	141.6
Other assets	342.5	327.0
Total assets	7,136.2	6,831.1
Liabilities		
Settlement balances, short trading positions and loans from money brokers	683.3	491.7
Deposits by banks	75.8	66.6
Deposits by customers	4,149.3	4,015.4
Borrowings	1,145.3	1,170.2
Other liabilities	217.8	250.7
Total liabilities	6,271.5	5,994.6
Equity	864.7	836.5
Total liabilities and equity	7,136.2	6,831.1

Group Funding Overview

	31 January 2014 £ million	31 July 2013 £ million	Change £ million
Deposits by customers	4,149.3	4,015.4	133.9
Drawn and undrawn facilities ¹	1,197.8	1,211.1	(13.3)
Group bond	205.1	204.9	0.2
Equity	864.7	836.5	28.2
Total available funding	6,416.9	6,267.9	149.0

¹ Includes £265.0 million (31 July 2013: £265.0 million) of undrawn facilities and excludes £7.4 million (31 July 2013: £19.3 million) of non-facility overdrafts included in borrowings.

Business Review

Overview continued

Prudent maturity profile

The group remains committed to maintaining a prudent maturity profile of funding relative to the loan book. The group's term funding, with a residual maturity greater than one year, remained consistent at £3,423.5 million (31 July 2013: £3,314.8 million). This continues to represent a prudent level relative to the loan book, which was 71% (31 July 2013: 71%) covered by term funding at the balance sheet date. The weighted average maturity of this term funding, excluding equity, reduced to 23 months (31 July 2013: 26 months) but remains significantly above the average loan book maturity of 13 months (31 July 2013: 13 months).

Appropriate level of high quality liquidity

The group's liquidity position remains comfortably ahead of regulatory requirements. The group's Treasury function continually monitors the level and quality of the group's liquid assets to ensure it maintains an appropriate level of liquidity to support its banking operations.

At the balance sheet date, the group had high quality liquid assets of £910.0 million (31 July 2013: £982.0 million). The decrease in the period is principally due to reduced deposits at the Bank of England, down £71.4 million to £863.9 million (31 July 2013: £935.3 million), as funding was deployed into the loan book.

The gilt and certificate of deposit portfolios remained broadly stable at £46.1 million (31 July 2013: £46.7 million) and £15.1 million (31 July 2013: £10.1 million) respectively. We have now completed the run off of our less liquid securities with the remaining £39.4 million of floating rate notes held at 31 July 2013 sold in the period.

Credit Ratings

The credit ratings for Close Brothers Group plc and Close Brothers Limited ("CBL"), the group's regulated banking subsidiary, from Fitch Ratings ("Fitch") and Moody's Investors Services ("Moody's")

were reviewed in the first half of the year. In November 2013 Fitch reaffirmed its ratings for Close Brothers Group plc and CBL at A/F1, both with stable outlooks. Moody's ratings for Close Brothers Group plc and CBL were reaffirmed in January 2014 at Baa1/P2 and A3/P2 respectively, with the outlooks upgraded to stable.

Strong Capital Position

On 1 January 2014, European legislation came into force implementing Basel III in Europe through the Capital Requirements Directive and Regulation (collectively known as CRD IV). CRD IV changes both the composition of regulatory capital and the calculation of risk weighted assets. The highest quality capital is now defined as "common equity tier 1", having been previously referred to as "core tier 1".

Under CRD IV, the group's capital remains strong. Our position continues to be in excess of minimum capital ratios on both a CRD IV transitional and fully loaded basis, including the new Capital Conservation Buffer. At 31 January 2014, the common equity tier 1 capital ratio remained stable at 13.2% (31 July 2013: core tier 1 ratio 13.3%). The beneficial application of a discount to the risk weighting for lending to SMEs, which applies to a significant proportion of the group's risk weighted assets, has largely been offset by a new deduction for foreseeable dividends following the recent issuance of the European Banking Authority's ("EBA") final draft technical standard on own funds which applies to the whole banking industry. A summary of the impact of CRD IV at 31 January 2014 is shown in note 12 of the financial statements.

Common equity tier 1 capital decreased to £667.7 million (31 July 2013: core tier 1 capital £687.5 million) largely due to the new foreseeable dividends deduction of £43.5 million. This deduction is a higher amount than the interim dividend declared with these results and is calculated by looking at the group's average payout ratio over a three year period. On an underlying

basis, common equity tier 1 capital increased modestly as growth in profit attributable to shareholders was partially offset by the payment of the final dividend in November 2013. Risk weighted assets reduced modestly to £5,061.7 million (31 July 2013: £5,184.5 million), as the growth in credit and counterparty risk associated with the loan book was more than offset by the benefit of the CRD IV SME discount.

The Prudential Regulation Authority has announced the acceleration of the majority of the transitional arrangements set out in CRD IV meaning that, in the UK, CRD IV is now substantially in force. We therefore do not expect any material impact from the full implementation of CRD IV. As a result our pro forma, fully loaded common equity tier 1 ratio at 31 January 2014 should be similar to the current reported ratio of 13.2%. However, as the EBA is still developing and refining its technical standards, further impact from CRD IV may yet emerge.

The strength of the group's capital position is further supported by the strong leverage ratio, which is a transparent, comparable measure not affected by risk weightings. At 31 January 2014, the leverage ratio was 9.3% (31 July 2013: 9.8%); the reduction reflecting the inclusion of the foreseeable dividend. Given its prudent approach, the group also expects to meet the requirements for the new funding and liquidity ratios proposed under CRD IV.

Over the last several years, our strong capital position has enabled us to continue to grow during a period of economic uncertainty and regulatory change. We remain focused on holding an appropriate level of capital and continue to monitor and manage capital resources carefully.

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	2,959.4	1,092.3	97.6	4,149.3
Drawn and undrawn facilities ¹	27.8	1,095.0	75.0	1,197.8
Group bond	6.2	–	198.9	205.1
Equity	–	–	864.7	864.7
Total available funding at 31 January 2014	2,993.4	2,187.3	1,236.2	6,416.9
Total available funding at 31 July 2013	2,953.1	1,324.0	1,990.8	6,267.9

¹ Includes £265.0 million (31 July 2013: £265.0 million) of undrawn facilities and excludes £7.4 million (31 July 2013: £19.3 million) of non-facility overdrafts included in borrowings.

Treasury Assets

	31 January 2014 £ million	31 July 2013 £ million	Change £ million
Gilts	46.1	46.7	(0.6)
Bank of England deposits	863.9	935.3	(71.4)
High quality liquid assets	910.0	982.0	(72.0)
Certificates of deposit	15.1	10.1	5.0
Floating rate notes	–	39.4	(39.4)
Total Treasury assets	925.1	1,031.5	(106.4)

Group Capital Position

	31 January 2014 £ million	31 July 2013 £ million
Common equity tier 1 capital ratio ¹	13.2%	13.3%
Total capital ratio ¹	14.6%	14.6%
Leverage ratio ²	9.3%	9.8%
Common equity tier 1 capital ¹	667.7	687.5
Total regulatory capital	737.9	758.9
Risk weighted assets	5,061.7	5,184.5

¹ The highest quality capital is now defined as “common equity tier 1” having previously been referred to as “core tier 1”. Accordingly the comparative is based on the legislative definition of core tier 1 capital in force at that time.

² Tier 1 capital as a percentage of total balance sheet assets, adjusting for intangible assets and certain off balance sheet exposures.

Business Review

Banking

Good Performance in the First Half

The Banking division maintained its model of strong returns and sustainable growth as adjusted operating profit increased by 14% to £89.6 million (2013: £78.3 million) and the loan book increased by 5% to £4.9 billion (31 July 2013: £4.6 billion). As a result, return on the division's opening equity improved to 25% (2013: 24%) and return on net loan book increased to 3.8% (2013: 3.7%).

Adjusted operating income increased 11% to £217.8 million (2013: £195.7 million) reflecting the growth in net interest and fees which increased by 10% in line with the loan book. Treasury and other non-lending income increased to £9.2 million (2013: £6.4 million) as the division benefited from reduced funding costs.

We have continued to invest in our high quality, service led model and adjusted operating expenses have increased by 15% to £105.5 million (2013: £91.6 million). The increase is principally due to costs associated with the 11% loan book growth over the last 12 months. We have recruited additional staff as we invest in our operational and control functions to ensure we are both well placed to support future loan book growth and to operate effectively in our regulated environment. We have also continued to invest in technology and have further developed our IT infrastructure to enhance our customer proposition. As a result the expense/income ratio has marginally increased to 48% (2013: 47%) and the compensation ratio is stable at 27% (2013: 27%).

The strong credit performance has continued across the portfolio and the bad debt has reduced by 12% to £22.7 million (2013: £25.8 million) in the period despite 11% growth in the loan book over the last 12 months.

Good loan book growth continues

In the six months to 31 January 2014, the loan book has increased by 5% to £4.9 billion (31 July 2013: £4.6 billion), up 11% over the last 12 months. The growth rate has remained good, albeit slightly moderated from the prior year, with good levels of new business.

The lending cycle continues to evolve and while we have seen pockets of increased competition, the supply of credit is still far off pre-financial crisis levels. The return of competition is most evident in motor finance where we have seen the impact of increased pricing pressure but this has been largely offset by strong growth in the used car point of sale market. Improved demand is yet to be seen across all of our lending businesses and in particular we have not seen a significant improvement in SMEs' demand for credit.

The Retail loan book increased 5% to £1,996.5 million in the six months to 31 January 2014 (31 July 2013: £1,906.0 million). The motor finance loan book increased 5% to £1,341.3 million at 31 January 2014 (31 July 2013: £1,278.3 million) driven by good demand in the second hand car market. The premium finance loan book increased 4% to £655.2 million (31 July 2013: £627.7 million) reflecting growth in both personal and commercial business lines.

The Commercial loan book increased 3% in the period to £1,908.4 million (31 July 2013: £1,845.7 million) driven by asset finance which increased 6% to £1,569.5 million (31 July 2013: £1,482.3 million) with good growth across all sectors. Invoice finance reduced by 7% to £338.9 million (31 July 2013: £363.4 million) reflecting a seasonal reduction in demand in January.

In Property, the loan book has increased 6% to £950.6 million (31 July 2013: £893.9 million). We have continued to benefit from good demand for our core residential lending products and limited competition.

Our distinctive business model sustains our strong returns

In the period, the net interest margin, which includes net interest income and other lending related income, remained both strong at 8.8% (2013: 8.9%) and stable on the prior year. We have seen a small benefit in the period from reduced funding costs but this has been offset by reduced default fees as the credit quality of the loan book continues to improve. Other lending related income, which includes net fees and commissions, operating lease income, and other miscellaneous income, has reduced to 22% (2013: 24%) of total net interest and fee income. Other income remains broadly stable on the prior year on an underlying basis as the prior period benefited from £2.8 million of one-off income.

The bad debt ratio has continued to improve and is now at 1.0% (2013: 1.2%). The improvement in the period has principally been driven by Property and asset finance, and reflects the ongoing focus on both strong credit quality and our local, business led, origination to collection model.

The quality of the loan book remains strong with average short-term lending of 13 months (31 July 2013: 13 months) and around 90% secured.

Overall we remain focused on the quality of our lending, which we believe will sustain our strong returns, and continue to see good growth opportunities for the division. Our confidence in the outlook is supported by strong customer relationships, with their high levels of repeat business, our expertise in our chosen markets and our continued investment in both staff and technology. We believe that we are well positioned to benefit from any increase in demand for specialist lending services.

Key Financials

	First half 2014 £ million	First half 2013 £ million	Change %
Adjusted operating income	217.8	195.7	11
Net interest and fees on loan book ¹	208.6	189.3	10
Retail	81.1	75.8	7
Commercial	92.0	84.0	10
Property	35.5	29.5	20
Treasury and other non-lending income	9.2	6.4	44
Adjusted operating expenses	(105.5)	(91.6)	15
Impairment losses on loans and advances	(22.7)	(25.8)	(12)
Adjusted operating profit	89.6	78.3	14

¹ Includes £161.9 million (2013: £144.3 million) net interest income and £46.7 million (2013: £45.0 million) other income. Other income includes net fees and commissions, operating lease income, and other miscellaneous income.

Key Performance Indicators

	First half 2014	First half 2013
Net interest margin ¹	8.8%	8.9%
Bad debt ratio ²	1.0%	1.2%
Expense/income ratio ³	48%	47%
Return on opening equity ⁴	25%	24%
Return on net loan book ⁵	3.8%	3.7%

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

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

³ Adjusted operating expenses on adjusted operating income.

⁴ Adjusted operating profit after tax and non-controlling interests on the division's opening equity less non-controlling interests.

⁵ Adjusted operating profit after tax and non-controlling interests on average net loans and advances to customers.

Loan Book Analysis

	31 January 2014 £ million	31 July 2013 £ million	Change %
Retail	1,996.5	1,906.0	5
Motor finance	1,341.3	1,278.3	5
Premium finance	655.2	627.7	4
Commercial	1,908.4	1,845.7	3
Asset finance	1,569.5	1,482.3	6
Invoice finance	338.9	363.4	(7)
Property	950.6	893.9	6
Closing loan book	4,855.5	4,645.6	5

Business Review

Securities

Recovering Market Conditions for Retail Investors

Trading conditions for Securities improved in the period relative to the difficult market conditions experienced in the first half of 2013. Market confidence is recovering, supported by an improving global economic outlook, stronger IPO pipeline and the equity market rally towards the end of the 2013 calendar year. Reflecting this, retail investor sentiment has improved, and both Winterflood and Seydler were well positioned to benefit from recovering risk appetite, having maintained their trading capacity and market leading positions through more challenging market conditions.

Adjusted operating income increased 33% to £63.5 million (2013: £47.9 million) reflecting increased trading volumes in the division and higher margin trading activity at Winterflood. Adjusted operating expenses increased 25% to £46.9 million (2013: £37.4 million) driven by higher variable costs as a result of the improved performance. Overall, the expense/income ratio improved to 74% (2013: 80%) and the compensation ratio was stable at 45% (2013: 45%).

During the first half of 2013 we recorded £0.9 million of associate income in relation to Mako, which was subsequently reclassified as an available for sale equity investment and is therefore no longer reported as part of the Securities division. The group's current holding in Mako is 16.3% (31 January 2013: 27.3%).

In total, adjusted operating profit for the division in the first half increased by 58% to £16.6 million (2013: £10.5 million), corresponding to an improved operating margin of 26% (2013: 20%). The division's return on opening equity increased to 25%, up from 16% in 2013.

Improved Winterflood trading on AIM

A number of factors supported an improvement in retail investor sentiment in the first half of the financial year. Increased primary market activity, stronger retail trading volumes and rising equity markets all encouraged retail investors to increase their risk appetite. As a result, Winterflood's trading activity, particularly in the specialist AIM and small cap sectors, improved.

Winterflood's adjusted operating income increased 39% to £48.3 million (2013: £34.7 million) reflecting both stronger volumes and an increase in income per bargain. Average bargains per day increased from 41,583 in 2013 to 52,438, although remained broadly stable with volumes in the second half of 2013. This reflects stronger retail trading volumes across all market sectors. We continue to maintain our strong performance track record, with just one loss day (2013: one loss day) out of 128 trading days (2013: 128 trading days) in the period.

Income per bargain also increased to £7.19 (2013: £6.52) principally due to higher margin trading on AIM, reflecting strong retail investor trading as well as increased IPO activity in the market.

Winterflood's low fixed cost base has enabled us to maintain trading capacity in more challenging trading conditions. In the period, adjusted operating expenses increased 28% to £34.9 million (2013: £27.3 million) predominantly reflecting an increase in variable performance related costs. Additionally, we continue to invest in our trading capability and in developing our market leading proprietary technology, to maintain our competitive positioning.

Overall Winterflood delivered an adjusted operating profit of £13.4 million (2013: £7.4 million) in the first half of the year. We remain well placed to benefit if current market conditions are sustained throughout the year, although trading and retail investor risk appetite remain susceptible to economic conditions and events.

Seydler

Seydler's adjusted operating income increased £2.9 million, or 24%, to £15.2 million (2013: £12.3 million) principally reflecting improved trading volumes on the Frankfurt Stock Exchange following difficult market conditions in the first half of 2013. We continued to benefit from modest capital markets fees in the period reflecting continued demand for equity and debt capital markets issuances amongst smaller companies in Germany. Adjusted operating expenses were up 19% to £12.0 million (2013: £10.1 million), resulting in a £1.0 million increase to adjusted operating profit to £3.2 million (2013: £2.2 million).

Seydler maintains its market leading position, with an established client base and strong capital markets franchise in the German small and mid-cap market.

Well positioned for sustained recovery

The Securities division remains well positioned. We have retained our trading capability and have continued to invest in our technology while remaining profitable during less favourable trading conditions in recent years. The improved performance in the first half has further increased our confidence in Winterflood's strategy and business model and we are well placed to continue to benefit from any further improvement in trading conditions.

Key Financials

	First half 2014 £ million	First half 2013 £ million	Change %
Adjusted operating income	63.5	47.9	33
Winterflood	48.3	34.7	39
Seydler	15.2	12.3	24
Mako (associate income after tax) ¹	–	0.9	
Adjusted operating expenses	(46.9)	(37.4)	25
Winterflood	(34.9)	(27.3)	28
Seydler	(12.0)	(10.1)	19
Adjusted operating profit	16.6	10.5	58
Winterflood	13.4	7.4	81
Seydler	3.2	2.2	45
Mako (associate income after tax) ¹	–	0.9	

1 In the 2013 financial year Mako was reclassified to an available for sale equity investment and no longer generates associate income.

Key Performance Indicators

	First half 2014	First half 2013
Winterflood income per bargain	£7.19	£6.52
Winterflood average bargains per day ('000)	52	42
Securities operating margin ¹	26%	20%
Securities return on opening equity ²	25%	16%

1 Adjusted operating profit on adjusted operating income excluding associate income.

2 Adjusted operating profit excluding associate income after tax and non-controlling interests on opening equity, less non-controlling interests.

Business Review

Asset Management

Improved First Half Performance

The Asset Management division continued to make good progress in the six months to 31 January 2014. We have developed a scalable business model and are seeing solid demand for our integrated wealth management proposition, combining advice and financial planning, high quality investment management and an online platform recording and reporting on investment assets.

Adjusted operating income increased 9% to £40.5 million (2013: £37.2 million) as we continue to grow our private client asset base. Income on Assets under Management ("AuM") increased 11% to £40.0 million (2013: £36.0 million), predominantly reflecting growth in AuM to £9.3 billion, while the revenue margin increased slightly to 87 basis points (2013: 84 basis points). Other income, which included a one-off gain in the comparative period, reduced to £0.5 million (2013: £1.2 million).

We remain focused on optimising the division's cost base through increased front office efficiency and leveraging fixed costs. While we continue to grow revenues, adjusted operating expenses increased modestly in the period, up £1.2 million to £37.3 million (2013: £36.1 million). As a result, the expense/income ratio continued to improve to 92% (2013: 97%) and the compensation ratio also improved to 60% (2013: 63%).

Overall, supported by improving operating leverage as we build scale, the division delivered adjusted operating profit of £3.2 million in the period, up from £1.1 million in 2013. The division's return on opening equity increased to 16% (2013: 4%).

Good momentum in inflows

We continue to see good momentum in gross inflows reflecting the quality of our wealth management proposition. AuM increased 2% in the first half to £9.3 billion at 31 January 2014 (31 July 2013: £9.1 billion), with net inflows across our distribution channels, supported by modest market movements.

Gross inflows represented 6% of opening AuM at £588 million (2013: £506 million). We are benefiting from our investment in distribution and are seeing good growth originating from our own advisers and lead

generators. The quality of our investment management process continues to be validated through its appeal to external advisers as well as our own. In the period we had solid inflows from third party IFAs and platforms as well as directly through our bespoke fund managers. Outflows of £398 million (2013: £573 million) were 31% lower than the comparative period. This improvement, combined with our increased gross inflows, resulted in positive net inflows of £190 million (2013: net outflows of £67 million). These were supported by modest market movements of £25 million (2013: £601 million).

Demand remains strong for our multi-asset Close Discretionary Portfolio funds which offer a range of investment solutions for different risk preferences. In the six months to 31 December 2013, the income focused funds, which provide high quality income at a lower risk than the peer group, underperformed their respective IMA sector benchmarks, while the Conservative, Balanced and Growth funds outperformed. Similarly, since inception, the same funds continue to outperform their sector benchmarks.

In addition, our bespoke portfolios, for high net worth clients of our discretionary business, continued to perform well in the first half. Cautious, Balanced and Growth strategies have consistently outperformed their ARC Private Client Indices peers over a five year period.

Continued progress towards our 2015 targets

We remain focused on our medium-term profit target, generating operating leverage through growing our private client asset base with increased operational efficiency. Importantly, none of our distribution channels has reached maturity and we expect continued growth across our proposition as we build scale.

In the first half, advised AuM decreased slightly to £5.0 billion (31 July 2013: £5.1 billion). Our primary focus has been on offering our full proposition to our existing clients but we have also seen modest outflows in the period. Overall income from advice and other services increased in the period to £17.6 million (2013: £16.6 million) while the revenue margin remained stable at 70 basis points (2013: 70 basis points).

Total managed AuM increased to £6.5 billion (31 July 2013: £6.2 billion) as we achieved good inflows, underpinned by positive investment performance and modest market movements. Investment management income increased 15% to £22.4 million (2013: £19.4 million) reflecting a modest improvement in the revenue margin to 71 basis points (2013: 69 basis points) as a result of stronger third party IFA sales of our Close Discretionary Portfolio funds.

We have continued to grow AuM in our integrated core private client proposition, increasing assets both managed and advised by 3% to £2.3 billion (31 July 2013: £2.2 billion). With inflows from both new and existing clients, these assets now represent 45% (31 July 2013: 43%) of total advised AuM.

Overall, the revenue margin has increased slightly in the period to 87 basis points (2013: 84 basis points) and we continue to expect this to improve gradually over time. We are confident that we will continue to increase our operating margin as we grow our overall AuM by improving the efficiency of our advice proposition and maintaining strong cost discipline to deliver further operating leverage as the business grows.

The business has continued to make progress and is well placed for further growth. We have invested in developing a high quality and competitive client proposition, with the flexibility to offer clients the services they require across their life cycle and according to their personal preferences. We have well defined distribution channels, all of which will continue to become more efficient and productive over time, helping support continued growth in the division.

Key Financials

	First half 2014 £ million	First half 2013 £ million	Change %
Adjusted operating income	40.5	37.2	9
Income on AuM	40.0	36.0	11
Advice and other services ¹	17.6	16.6	6
Investment management	22.4	19.4	15
Other income ²	0.5	1.2	(58)
Adjusted operating expenses	(37.3)	(36.1)	3
Adjusted operating profit	3.2	1.1	

1 Income from financial advice and self directed services, excluding investment management income.

2 Interest income and expense, income on investment assets and other income.

Key Performance Indicators

	First half 2014	First half 2013
Net inflows/(outflows) (£ million)	190	(67)
Revenue margin (basis points) ¹	87	84
Operating margin	8%	3%
Return on opening equity ²	16%	4%

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

2 Adjusted operating profit after tax and non-controlling interests on opening equity less non-controlling interests.

Movement in Assets under Management

	£ million
At 1 August 2013	9,080
Inflows	588
Outflows	(398)
Net inflows	190
Market movement	25
At 31 January 2014	9,295
Change	2%

Assets under Management by Type

	31 January 2014 £ million	31 July 2013 £ million	Change %
Total AuM	9,295	9,080	2
Advised AuM ¹	5,037	5,067	(1)
Managed AuM ²	6,508	6,193	5
Both advised and managed AuM	2,250	2,180	3

1 All personal and corporate advised and self directed client assets, including those which are also managed by Close Brothers.

2 All client assets which are invested in Close Brothers' investment products, including funds, separately managed accounts and bespoke high net worth client portfolios.

Business Review

Principal Risks and Uncertainties

As a financial services group we aim to generate returns for our shareholders by taking an appropriate level of risk. We manage these risks by:

- Adhering to our prudent and established business model;
- Following an integrated risk management approach; and
- Maintaining clearly defined risk appetites with clear limits and metrics.

During the six months to 31 January 2014, there has been no significant change to our business model, risk management approach or risk appetite. The group has not identified any new principal risks and uncertainties that it may face in the second half of the financial year.

A detailed description of the principal risks and uncertainties the group faces and its approach to managing and mitigating those risks is set out on pages 24 to 27 of the Annual Report 2013 which can be accessed via the link on the home page of the group's website at www.closebrothers.com.

The principal risks and uncertainties the group may face in the second half of the financial year are summarised below. This is not a comprehensive list of all potential risks and uncertainties the group may experience.

Key risk and uncertainty	Description
Economic environment	Although the UK economy has continued to improve, deterioration in the economic environment could lead to a reduction in demand for products and services and adversely impact our customers and counterparties.
Credit losses	The Banking division has a loan book of £4.9 billion to a range of corporate, SME and individual borrowers and is exposed to losses if customers are unable to repay any outstanding amounts. The group is also exposed to counterparties with which it places deposits or trades.
Regulatory change	The group operates in a highly regulated environment. Regulatory and legislative changes have the potential to impact significantly the group's business model and financial performance.
Employees	Retention of key employees to implement the group's distinctive business model is fundamental to the group's performance.
Technology	Maintaining robust IT infrastructure is fundamental to allow the group to operate effectively, respond to new technology and counter cyber threats.
Competition	As the UK economy improves we would expect to face increased competition across our businesses which may impact group performance.
Funding	Continued access to funding remains key to support the Banking division's lending activities and to manage the liquidity requirements of the group.
Exposure to markets	Volatility or a sudden dislocation in financial markets may impact the group's profitability particularly in the Securities division. Changes in key rates have the potential to impact group earnings although the majority of interest rate and foreign exchange exposures are hedged.

Governance

Directors' Responsibility Statement

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
- The Interim Report 2014 includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The Interim Report 2014 includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the board

P.S.S. Macpherson
Chairman

P. Prebensen
Chief Executive

11 March 2014

Financial Statements

Independent Review Report

Independent Review Report to Close Brothers Group plc

We have been engaged by the company to review the condensed set of consolidated financial statements in the Interim Report 2014 for the six months ended 31 January 2014 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes 1 to 17. We have read the other information contained in the Interim Report 2014 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report 2014 is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report 2014 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of consolidated financial statements included in this Interim Report 2014 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the Interim Report 2014 based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the Interim Report 2014 for the six months ended 31 January 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

11 March 2014

Financial Statements

Consolidated Income Statement

for the six months ended 31 January 2014

	Note	Six months ended 31 January		Year ended 31 July
		2014 Unaudited £ million	2013 ¹ Unaudited £ million	2013 ¹ Audited £ million
Interest income		241.6	222.8	450.2
Interest expense		(70.9)	(75.9)	(150.7)
Net interest income		170.7	146.9	299.5
Fee and commission income		94.6	85.4	189.0
Fee and commission expense		(14.3)	(11.5)	(26.4)
Gains less losses arising from dealing in securities		51.9	39.3	80.3
Share of profit of Mako		–	0.9	0.9
Other income		19.1	22.0	39.6
Non-interest income		151.3	136.1	283.4
Operating income		322.0	283.0	582.9
Administrative expenses		(202.1)	(176.7)	(365.1)
Impairment losses on loans and advances	7	(22.7)	(25.8)	(50.6)
Total operating expenses before exceptional income and amortisation of intangible assets on acquisition		(224.8)	(202.5)	(415.7)
Operating profit before exceptional income and amortisation of intangible assets on acquisition		97.2	80.5	167.2
Exceptional income	3	–	–	1.6
Amortisation of intangible assets on acquisition		(2.4)	(2.5)	(5.0)
Operating profit before tax		94.8	78.0	163.8
Tax	4	(22.2)	(18.0)	(42.7)
Profit after tax for the period		72.6	60.0	121.1
Profit attributable to non-controlling interests		0.2	0.6	1.1
Profit attributable to shareholders		72.4	59.4	120.0
Basic earnings per share	5	49.2p	40.8p	82.0p
Diluted earnings per share	5	48.5p	40.1p	80.6p
Ordinary dividend per share for the period	6	16.5p	15.0p	44.5p

1 Restated – see notes 1 and 17.

Financial Statements

Consolidated Statement of Comprehensive Income

for the six months ended 31 January 2014

	Six months ended 31 January		Year ended 31 July
	2014 Unaudited £ million	2013 ¹ Unaudited £ million	2013 ¹ Audited £ million
Profit after tax for the period	72.6	60.0	121.1
Other comprehensive (expense)/income that may be reclassified to income statement			
Currency translation (losses)/gains	(3.0)	3.5	4.0
Gains on cash flow hedging	2.7	2.9	4.8
(Losses)/gains on financial instruments classified as available for sale:			
Gilts	-	-	(0.1)
Floating rate notes	-	1.1	1.1
Equity shares	1.4	1.0	1.9
Transfer to income statement of realised currency translation gains	-	-	(7.4)
Other losses	-	(2.2)	-
Tax relating to items that may be reclassified	(0.9)	(1.0)	(1.5)
Total other comprehensive income that may be reclassified to income statement	0.2	5.3	2.8
Other comprehensive (expense)/income that will not be reclassified to income statement			
Defined benefit pension scheme (losses)/gains	(3.2)	-	2.4
Tax relating to items that will not be reclassified	0.6	-	(0.5)
Total other comprehensive (expense)/income that will not be reclassified to income statement	(2.6)	-	1.9
Other comprehensive (expense)/income for the period, net of tax	(2.4)	5.3	4.7
Total comprehensive income for the period	70.2	65.3	125.8
Attributable to			
Non-controlling interests	0.2	0.6	1.1
Shareholders	70.0	64.7	124.7
	70.2	65.3	125.8

¹ Restated – see notes 1 and 17.

Financial Statements

Consolidated Balance Sheet

at 31 January 2014

	Note	31 January		31 July
		2014 Unaudited £ million	2013 ¹ Unaudited £ million	2013 ¹ Audited £ million
Assets				
Cash and balances at central banks		864.0	981.4	935.4
Settlement balances		606.3	593.0	471.0
Loans and advances to banks		94.6	130.0	89.8
Loans and advances to customers	7	4,855.5	4,373.2	4,645.6
Debt securities	8	119.1	273.8	124.9
Equity shares	9	79.4	59.9	71.4
Loans to money brokers against stock advanced		58.2	87.2	52.1
Derivative financial instruments		56.3	55.4	56.8
Intangible assets		142.8	138.9	141.6
Property, plant and equipment		105.8	81.7	89.7
Deferred tax assets		29.3	34.2	25.8
Prepayments, accrued income and other assets		124.9	126.5	127.0
Investment in Mako classified as held for sale	3	–	22.3	–
Total assets		7,136.2	6,957.5	6,831.1
Liabilities				
Settlement balances and short positions	10	616.6	630.3	475.3
Deposits by banks	11	75.8	60.6	66.6
Deposits by customers	11	4,149.3	3,933.4	4,015.4
Loans and overdrafts from banks	11	12.4	95.6	37.6
Debt securities in issue	11	1,055.6	1,055.3	1,055.3
Loans from money brokers against stock advanced		66.7	77.0	16.4
Derivative financial instruments		44.4	48.6	48.4
Accruals, deferred income and other liabilities		173.4	185.0	202.3
Subordinated loan capital		77.3	77.2	77.3
Total liabilities		6,271.5	6,163.0	5,994.6
Equity				
Called up share capital		37.7	37.6	37.7
Share premium account		283.8	283.5	283.7
Retained earnings		538.8	468.7	511.9
Other reserves		2.1	1.6	(0.5)
Total shareholders' equity		862.4	791.4	832.8
Non-controlling interests		2.3	3.1	3.7
Total equity		864.7	794.5	836.5
Total liabilities and equity		7,136.2	6,957.5	6,831.1

¹ Restated – see notes 1 and 17.

Financial Statements

Consolidated Statement of Changes in Equity

for the six months ended 31 January 2014

	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Other reserves				Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
				Available for sale movements reserve £ million	Share-based payments reserve £ million	Exchange movements reserve £ million	Cash flow hedging reserve £ million			
At 1 August 2012 (audited)	37.6	283.4	454.3	6.5	(19.0)	8.6	(5.3)	766.1	3.7	769.8
Restatement (see notes 1 and 17)	–	–	(6.5)	–	–	–	–	(6.5)	–	(6.5)
Restated	37.6	283.4	447.8	6.5	(19.0)	8.6	(5.3)	759.6	3.7	763.3
Profit for the period	–	–	59.4	–	–	–	–	59.4	0.6	60.0
Other comprehensive (expense)/income for the period	–	–	(2.2)	1.8	–	3.5	2.2	5.3	–	5.3
Total comprehensive income/(expense) for the period	–	–	57.2	1.8	–	3.5	2.2	64.7	0.6	65.3
Exercise of options	–	0.1	–	–	–	–	–	0.1	–	0.1
Dividends paid	–	–	(39.7)	–	–	–	–	(39.7)	–	(39.7)
Shares purchased	–	–	–	–	–	–	–	–	–	–
Shares issued	–	–	–	–	–	–	–	–	–	–
Shares released	–	–	–	–	2.5	–	–	2.5	–	2.5
Other movements	–	–	3.4	–	0.8	–	–	4.2	(1.2)	3.0
At 31 January 2013 (unaudited)	37.6	283.5	468.7	8.3	(15.7)	12.1	(3.1)	791.4	3.1	794.5
Profit for the period	–	–	60.6	–	–	–	–	60.6	0.5	61.1
Other comprehensive income/(expense) for the period	–	–	4.1	0.8	–	(6.9)	1.4	(0.6)	–	(0.6)
Total comprehensive income/(expense) for the period	–	–	64.7	0.8	–	(6.9)	1.4	60.0	0.5	60.5
Exercise of options	–	0.1	–	–	–	–	–	0.1	–	0.1
Dividends paid	–	–	(21.8)	–	–	–	–	(21.8)	(0.1)	(21.9)
Shares purchased	–	–	–	–	–	–	–	–	–	–
Shares issued	0.1	0.1	–	–	–	–	–	0.2	–	0.2
Shares released	–	–	–	–	3.2	–	–	3.2	–	3.2
Other movements	–	–	0.3	–	(0.6)	–	–	(0.3)	0.2	(0.1)
At 31 July 2013 (audited)	37.7	283.7	511.9	9.1	(13.1)	5.2	(1.7)	832.8	3.7	836.5
Profit for the period	–	–	72.4	–	–	–	–	72.4	0.2	72.6
Other comprehensive (expense)/income for the period	–	–	(2.6)	1.1	–	(3.0)	2.1	(2.4)	–	(2.4)
Total comprehensive income/(expense) for the period	–	–	69.8	1.1	–	(3.0)	2.1	70.0	0.2	70.2
Exercise of options	–	0.1	–	–	–	–	–	0.1	–	0.1
Dividends paid	–	–	(42.9)	–	–	–	–	(42.9)	(0.1)	(43.0)
Shares purchased	–	–	–	–	(7.8)	–	–	(7.8)	–	(7.8)
Shares issued	–	–	–	–	–	–	–	–	–	–
Shares released	–	–	–	–	12.7	–	–	12.7	–	12.7
Other movements	–	–	–	–	(2.5)	–	–	(2.5)	(1.5)	(4.0)
At 31 January 2014 (unaudited)	37.7	283.8	538.8	10.2	(10.7)	2.2	0.4	862.4	2.3	864.7

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Consolidated Cash Flow Statement

for the six months ended 31 January 2014

	Note	Six months ended 31 January		Year ended 31 July
		2014 Unaudited £ million	2013 ¹ Unaudited £ million	2013 ¹ Audited £ million
Net cash inflow from operating activities	15(a)	31.7	255.7	206.9
Net cash (outflow)/inflow from investing activities				
Purchase of:				
Assets let under operating leases		(23.9)	(15.5)	(40.6)
Property, plant and equipment – other		(2.4)	(2.0)	(4.1)
Intangible assets – software		(8.1)	(4.5)	(13.1)
Equity shares held for investment		(0.1)	–	(0.3)
Non-controlling interest	15(b)	(3.8)	(5.0)	(5.0)
Sale of:				
Assets let under operating leases		1.6	2.2	13.6
Equity shares held for investment		0.6	5.8	6.7
Mako	15(c)	2.7	1.3	4.8
		(33.4)	(17.7)	(38.0)
Net cash (outflow)/inflow before financing		(1.7)	238.0	168.9
Financing activities				
Issue of ordinary share capital, net of transaction costs	15(d)	0.1	0.1	0.4
Purchase of own shares for employee share award schemes		(7.8)	–	–
Equity dividends paid		(42.9)	(39.7)	(61.5)
Dividends paid to non-controlling interests		(0.1)	–	(0.1)
Interest paid on subordinated loan capital and debt financing		(9.3)	(9.3)	(18.6)
Net (decrease)/increase in cash		(61.7)	189.1	89.1
Cash and cash equivalents at beginning of period		1,017.4	928.3	928.3
Cash and cash equivalents at end of period	15(e)	955.7	1,117.4	1,017.4

1 Restated – see notes 1 and 17.

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1. Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with the International Financial Reporting Standards (“IFRS”) endorsed by the European Union. These include International Accounting Standard (“IAS”) 34, Interim Financial Reporting, which specifically addresses the contents of condensed interim financial statements. The consolidated financial statements incorporate the individual financial statements of Close Brothers Group plc and the entities it controls, using the acquisition method of accounting. The accounting policies used are consistent with those set out on pages 68 to 74 of the Annual Report 2013 except for the adoption of the following standards and amendments with effect from 1 August 2013:

IAS 19 (Revised) “Employee benefits”

- The amendments to IAS 19 (Revised) principally affect the accounting for and disclosure of defined benefit plans. Actuarial gains and losses arising from the valuation of defined benefit pension schemes are no longer permitted to be deferred using the “corridor” approach and must be recognised immediately in other comprehensive income. In addition, IAS 19 (Revised) requires a single rate to be applied to the net defined benefit asset or liability to calculate the net interest income or expense, remove the options for presentation of gains and losses and enhances the disclosure requirements in respect of defined benefit plans and the risks arising on those plans. The amendments have been applied retrospectively with comparative information restated accordingly. The impact of the restatement is presented in note 17.

IFRS 13 “Fair value measurement”

- IFRS 13 establishes a single source of guidance under IFRS for fair value measurement and introduces new disclosures to help users to better assess the valuation techniques and inputs used to measure fair value. The standard has been applied prospectively. Adoption of the standard has had no impact on the group’s measurement of assets and liabilities measured at fair value. Additional disclosures about the group’s fair value measurement have been provided in note 16, reflecting consequential amendments made to IAS 34.

IFRS 7 (Amended) “Financial instruments: Disclosures – Offsetting financial assets and financial liabilities”

- The amendments to IFRS 7 require entities to disclose information to enable users of the financial statements to evaluate the effect or potential effect of netting arrangements on the balance sheet. These disclosures will be made in the group’s financial statements for the year ended 31 July 2014.

IFRS Annual improvements 2009 – 2011

- The IASB uses the annual improvements process to make necessary, but non-urgent, amendments to IFRSs that will not be included as part of a major project. The amendments primarily remove inconsistencies and clarify wording. Adoption of the amendments has not had a material impact on the financial statements of the group.

After making enquiries, the directors have a reasonable expectation that the company and the group as a whole have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the Interim Report. Although these estimates and assumptions are based on the management’s best judgement at that date, actual results may differ from these estimates. There have been no significant changes in the basis upon which estimates have been determined compared to that applied at 31 July 2013.

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. However, the information has been reviewed by the company’s auditor, Deloitte LLP, and their report appears on page 18.

The financial information for the year ended 31 July 2013 contained within this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of those statutory accounts has been reported on by Deloitte LLP and delivered to the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

The directors manage the group primarily by class of business and present the segmental analysis on that basis. The group's activities are organised in three primary divisions: Banking, Securities and Asset Management.

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 taking into account commercial demands. More than 90% of all the group's activities, revenue and assets are located in the UK.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Income Statement for the six months ended 31 January 2014					
Net interest income/(expense)	171.1	(0.4)	(0.2)	0.2	170.7
Non-interest income	46.7	63.9	40.7	-	151.3
Operating income	217.8	63.5	40.5	0.2	322.0
Administrative expenses	(93.4)	(46.0)	(36.6)	(12.0)	(188.0)
Depreciation and amortisation	(12.1)	(0.9)	(0.7)	(0.4)	(14.1)
Impairment losses on loans and advances	(22.7)	-	-	-	(22.7)
Total operating expenses	(128.2)	(46.9)	(37.3)	(12.4)	(224.8)
Adjusted operating profit/(loss)¹	89.6	16.6	3.2	(12.2)	97.2
Exceptional income	-	-	-	-	-
Amortisation of intangible assets on acquisition	(0.2)	-	(2.2)	-	(2.4)
Operating profit/(loss) before tax	89.4	16.6	1.0	(12.2)	94.8
Tax	(20.2)	(4.2)	(0.2)	2.4	(22.2)
Non-controlling interests	(0.1)	-	-	(0.1)	(0.2)
Profit/(loss) after tax and non-controlling interests	69.1	12.4	0.8	(9.9)	72.4

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

The following table provides further detail on operating income:

	Six months ended 31 January		Year ended 31 July 2013
	2014 £ million	2013 £ million	2013 £ million
Banking			
Retail	81.1	75.8	152.6
Commercial	92.0	84.0	173.4
Property	35.5	29.5	60.6
Treasury and other non-lending income	9.2	6.4	9.6
Securities			
Market-making and related activities	63.5	47.9	106.3
Asset Management			
Advice and other services	17.6	16.6	35.2
Investment management	22.4	19.4	41.1
Other income	0.5	1.2	1.8
Group	0.2	2.2	2.3
Operating income	322.0	283.0	582.9

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2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 January 2014					
Assets					
Cash and loans and advances to banks	912.7	30.7	14.8	0.4	958.6
Settlement balances, long trading positions and loans to money brokers	–	775.6	–	–	775.6
Loans and advances to customers	4,855.5	–	–	–	4,855.5
Non-trading debt securities	61.2	–	–	–	61.2
Intangible assets	55.6	28.2	58.9	0.1	142.8
Other assets	270.3	19.4	27.8	25.0	342.5
Investment in Mako classified as held for sale	–	–	–	–	–
Total assets	6,155.3	853.9	101.5	25.5	7,136.2
Liabilities					
Settlement balances, short trading positions and loans from money brokers	–	683.3	–	–	683.3
Deposits by banks	75.8	–	–	–	75.8
Deposits by customers	4,139.2	10.1	–	–	4,149.3
Borrowings	932.5	7.7	–	205.1	1,145.3
Other liabilities	140.1	29.0	39.1	9.6	217.8
Intercompany balances	328.7	27.8	29.9	(386.4)	–
Total liabilities	5,616.3	757.9	69.0	(171.7)	6,271.5
Equity	539.0	96.0	32.5	197.2	864.7
Total liabilities and equity	6,155.3	853.9	101.5	25.5	7,136.2

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Income Statement for the six months ended 31 January 2013¹					
Net interest income/(expense)	147.8	(0.7)	(0.5)	0.3	146.9
Non-interest income	47.9	48.6	37.7	1.9	136.1
Operating income	195.7	47.9	37.2	2.2	283.0
Administrative expenses	(81.9)	(36.4)	(35.4)	(11.2)	(164.9)
Depreciation and amortisation	(9.7)	(1.0)	(0.7)	(0.4)	(11.8)
Impairment losses on loans and advances	(25.8)	–	–	–	(25.8)
Total operating expenses	(117.4)	(37.4)	(36.1)	(11.6)	(202.5)
Adjusted operating profit/(loss)²	78.3	10.5	1.1	(9.4)	80.5
Exceptional income	–	–	–	–	–
Amortisation of intangible assets on acquisition	(0.3)	–	(2.2)	–	(2.5)
Operating profit/(loss) before tax	78.0	10.5	(1.1)	(9.4)	78.0
Tax	(17.8)	(2.7)	0.1	2.4	(18.0)
Non-controlling interests	(0.5)	–	–	(0.1)	(0.6)
Profit/(loss) after tax and non-controlling interests	59.7	7.8	(1.0)	(7.1)	59.4

¹ Restated – see notes 1 and 17.

² Adjusted operating profit/(loss) is stated before exceptional income and amortisation of intangible assets on acquisition.

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 January 2013 ¹					
Assets					
Cash and loans and advances to banks	1,062.3	34.0	14.8	0.3	1,111.4
Settlement balances, long trading positions and loans to money brokers	–	794.3	–	–	794.3
Loans and advances to customers	4,373.2	–	–	–	4,373.2
Non-trading debt securities	204.5	–	–	–	204.5
Intangible assets	45.9	28.7	64.1	0.2	138.9
Other assets	251.2	21.0	25.3	15.4	312.9
Investment in Mako classified as held for sale	–	22.3	–	–	22.3
Total assets	5,937.1	900.3	104.2	15.9	6,957.5
Liabilities					
Settlement balances, short trading positions and loans from money brokers	–	707.3	–	–	707.3
Deposits by banks	60.6	–	–	–	60.6
Deposits by customers	3,923.1	10.3	–	–	3,933.4
Borrowings	1,012.4	10.9	–	204.8	1,228.1
Other liabilities	152.8	28.1	38.7	14.0	233.6
Intercompany balances	265.1	52.5	33.9	(351.5)	–
Total liabilities	5,414.0	809.1	72.6	(132.7)	6,163.0
Equity	523.1	91.2	31.6	148.6	794.5
Total liabilities and equity	5,937.1	900.3	104.2	15.9	6,957.5

¹ Restated – see notes 1 and 17.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Income Statement for the year ended 31 July 2013 ¹					
Net interest income/(expense)	300.9	(1.0)	(0.8)	0.4	299.5
Non-interest income	95.3	107.3	78.9	1.9	283.4
Operating income	396.2	106.3	78.1	2.3	582.9
Administrative expenses	(168.2)	(78.7)	(72.6)	(22.5)	(342.0)
Depreciation and amortisation	(19.0)	(1.9)	(1.5)	(0.7)	(23.1)
Impairment losses on loans and advances	(50.6)	–	–	–	(50.6)
Total operating expenses	(237.8)	(80.6)	(74.1)	(23.2)	(415.7)
Adjusted operating profit/(loss)²	158.4	25.7	4.0	(20.9)	167.2
Exceptional income	–	1.6	–	–	1.6
Amortisation of intangible assets on acquisition	(0.6)	–	(4.4)	–	(5.0)
Operating profit/(loss) before tax	157.8	27.3	(0.4)	(20.9)	163.8
Tax	(40.3)	(7.1)	0.2	4.5	(42.7)
Non-controlling interests	(0.9)	–	–	(0.2)	(1.1)
Profit/(loss) after tax and non-controlling interests	116.6	20.2	(0.2)	(16.6)	120.0

¹ Restated – see notes 1 and 17.

² Adjusted operating profit/(loss) is stated before exceptional income and amortisation of intangible assets on acquisition.

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2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 July 2013 ¹					
Assets					
Cash and loans and advances to banks	984.4	24.8	15.3	0.7	1,025.2
Settlement balances, long trading positions and loans to money brokers	–	595.5	–	–	595.5
Loans and advances to customers	4,645.6	–	–	–	4,645.6
Non-trading debt securities	96.2	–	–	–	96.2
Intangible assets	51.2	28.7	61.6	0.1	141.6
Other assets	251.8	30.6	24.9	19.7	327.0
Investment in Mako classified as held for sale	–	–	–	–	–
Total assets	6,029.2	679.6	101.8	20.5	6,831.1
Liabilities					
Settlement balances, short trading positions and loans from money brokers	–	491.7	–	–	491.7
Deposits by banks	66.6	–	–	–	66.6
Deposits by customers	4,014.8	0.6	–	–	4,015.4
Borrowings	954.0	11.4	–	204.8	1,170.2
Other liabilities	148.5	37.4	45.5	19.3	250.7
Intercompany balances	294.3	40.5	24.6	(359.4)	–
Total liabilities	5,478.2	581.6	70.1	(135.3)	5,994.6
Equity	551.0	98.0	31.7	155.8	836.5
Total liabilities and equity	6,029.2	679.6	101.8	20.5	6,831.1

¹ Restated – see notes 1 and 17.

3. Investment in Mako

On 16 September 2011, the group announced the phased sale of its then 49.9% investment in Mako to the Mako management team.

On 31 January 2013, Mako fulfilled the requirements of IFRS 5 to be classified as “held for sale” as it was considered highly probable that within the next year Mako would no longer meet the significant influence criteria under IAS 28. As a result the group ceased to report its share of profit from 1 February 2013.

On 30 April 2013, a third phase of the disposal completed reducing our shareholding from 27.3% to 21.3%, resulting in the reclassification of Mako to an available for sale equity investment. A further disposal in August 2013 reduced our shareholding to 16.3%.

The £1.6 million exceptional income in the year to 31 July 2013 principally reflects realised foreign exchange gains offset by a revaluation on reclassification of Mako from an associate to an available for sale equity investment.

4. Tax expense

	Six months ended 31 January		Year ended 31 July
	2014 £ million	2013 ¹ £ million	2013 ¹ £ million
Tax charged/(credited) to the income statement			
Current tax:			
UK corporation tax	23.6	21.2	42.2
Foreign tax	1.8	0.8	3.3
Adjustments in respect of previous periods	–	(0.3)	(7.8)
	25.4	21.7	37.7
Deferred tax:			
Deferred tax credit for the current period	(3.1)	(3.7)	(1.9)
Adjustments in respect of previous periods	(0.1)	–	6.9
	22.2	18.0	42.7
Tax on items not charged/(credited) to the income statement			
Current tax relating to:			
Financial instruments classified as available for sale	–	0.3	0.2
Share-based transactions	(2.7)	(0.2)	(0.5)
Deferred tax relating to:			
Cash flow hedging	0.6	0.7	1.2
Defined benefit pension scheme	(0.6)	–	0.5
Financial instruments classified as available for sale	0.3	–	0.1
Share-based transactions	(0.6)	(1.5)	(2.9)
	(3.0)	(0.7)	(1.4)

¹ Restated – see notes 1 and 17.

The effective tax rate for the period is 23.4% (six months ended 31 January 2013: 23.1%; year ended 31 July 2013: 26.1%), representing the best estimate of the annual effective tax rate expected for the full year, applied to the operating profit before tax for the six month period.

The effective tax rate is slightly above the UK corporation tax rate for the period of 22.3% (six months ended 31 January 2013: 23.7%; year ended 31 July 2013: 23.7%) largely reflecting normal disallowables.

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5. Earnings per share

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

	Six months ended 31 January		Year ended 31 July 2013 ¹
	2014	2013 ¹	
Earnings per share			
Basic	49.2p	40.8p	82.0p
Diluted	48.5p	40.1p	80.6p
Adjusted basic ²	50.4p	42.2p	83.5p
Adjusted diluted ²	49.7p	41.5p	82.1p

1 Restated – see notes 1 and 17.

2 Excludes exceptional income, amortisation of intangible assets on acquisition and their tax effects.

	Six months ended 31 January		Year ended 31 July 2013 ¹
	2014 £ million	2013 ¹ £ million	£ million
Profit attributable to shareholders	72.4	59.4	120.0
Adjustments:			
Exceptional income	–	–	(1.6)
Amortisation of intangible assets on acquisition	2.4	2.5	5.0
Tax effect of adjustments	(0.5)	(0.5)	(1.1)
Adjusted profit attributable to shareholders	74.3	61.4	122.3

1 Restated – see notes 1 and 17.

	Six months ended 31 January		Year ended 31 July 2013
	2014 million	2013 million	million
Average number of shares			
Basic weighted	147.3	145.5	146.4
Effect of dilutive share options and awards	2.1	2.6	2.5
Diluted weighted	149.4	148.1	148.9

6. Dividends

	Six months ended 31 January		Year ended 31 July 2013
	2014 £ million	2013 £ million	£ million
For each ordinary share			
Interim dividend for previous financial year paid in April 2013: 15.0p	–	–	21.8
Final dividend for previous financial year paid in November 2013: 29.5p (2012: 27.5p)	42.9	39.7	39.7
	42.9	39.7	61.5

An interim dividend relating to the six months ended 31 January 2014 of 16.5p, amounting to an estimated £24.2 million, is declared. This interim dividend, which is due to be paid on 23 April 2014, is not reflected in these financial statements.

7. Loans and advances to customers

The contractual maturity of loans and advances to customers is set out below:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Impairment provisions £ million	Total £ million
At 31 January 2014	59.5	1,351.5	1,487.7	1,000.7	998.2	17.3	(59.4)	4,855.5
At 31 January 2013	20.6	1,213.0	1,434.3	866.9	892.0	15.2	(68.8)	4,373.2
At 31 July 2013	78.2	1,414.1	1,344.9	936.7	868.8	64.8	(61.9)	4,645.6

	31 January		31 July 2013
	2014 £ million	2013 £ million	£ million
Impairment provisions on loans and advances to customers			
Opening balance	61.9	70.3	70.3
Charge for the period	22.7	25.8	50.6
Amounts written off net of recoveries	(25.2)	(27.3)	(59.0)
Impairment provisions	59.4	68.8	61.9

At 31 January 2014, gross impaired loans were £190.4 million (31 January 2013: £234.0 million; 31 July 2013: £201.0 million) and equate to 4% (31 January 2013: 5%; 31 July 2013: 4%) of the gross loan book before impairment provisions. The majority of the group's lending is secured and therefore the gross impaired loans quoted do not reflect the expected loss.

8. Debt securities

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	57.9	–	–	57.9
Certificates of deposit	–	–	15.1	15.1
Floating rate notes	–	–	–	–
Gilts	–	46.1	–	46.1
At 31 January 2014	57.9	46.1	15.1	119.1

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	69.3	–	–	69.3
Certificates of deposit	–	–	25.0	25.0
Floating rate notes	–	81.4	–	81.4
Gilts	–	98.1	–	98.1
At 31 January 2013	69.3	179.5	25.0	273.8

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	28.7	–	–	28.7
Certificates of deposit	–	–	10.1	10.1
Floating rate notes	–	39.4	–	39.4
Gilts	–	46.7	–	46.7
At 31 July 2013	28.7	86.1	10.1	124.9

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8. Debt securities continued

Movements on the book value of gilts and floating rate notes ("FRNs") held during the period comprise:

	Available for sale		Total £ million
	Gilts £ million	Floating rate notes £ million	
At 1 August 2012	100.1	122.6	222.7
Disposals	–	(24.4)	(24.4)
Redemptions at maturity	–	(25.4)	(25.4)
Currency translation differences	–	7.6	7.6
Changes in fair value	(2.0)	1.0	(1.0)
At 31 January 2013	98.1	81.4	179.5
Disposals	–	(42.3)	(42.3)
Redemptions at maturity	(50.0)	–	(50.0)
Currency translation differences	–	0.2	0.2
Changes in fair value	(1.4)	0.1	(1.3)
At 31 July 2013	46.7	39.4	86.1
Disposals	–	(37.8)	(37.8)
Redemptions at maturity	–	–	–
Currency translation differences	–	(1.6)	(1.6)
Changes in fair value	(0.6)	–	(0.6)
At 31 January 2014	46.1	–	46.1

At 31 January 2014, £nil (31 January 2013: £60.0 million; 31 July 2013: £39.4 million) FRNs were due to mature within one year and £nil (31 January 2013: £21.4 million; 31 July 2013: £21.9 million) have been issued by corporates with the remainder issued by banks and building societies.

9. Equity shares

	31 January		31 July 2013 £ million
	2014 £ million	2013 £ million	
Equity shares classified as held for trading	53.2	44.8	43.7
Other equity shares	26.2	15.1	27.7
	79.4	59.9	71.4

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

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2012	13.3	5.2	18.5
Additions	–	–	–
Disposals	–	(6.9)	(6.9)
Currency translation differences	1.0	–	1.0
Changes in fair value of:			
Equity shares classified as available for sale	–	–	–
Unlisted equity shares held at fair value	–	2.5	2.5
At 31 January 2013	14.3	0.8	15.1
Additions	0.2	0.1	0.3
Disposals	(0.3)	(0.4)	(0.7)
Currency translation differences	0.4	–	0.4
Changes in fair value of:			
Equity shares classified as available for sale	0.2	–	0.2
Unlisted equity shares held at fair value	–	0.1	0.1
Reclassification from investment in Mako ¹	12.3	–	12.3
At 31 July 2013	27.1	0.6	27.7
Additions	0.1	–	0.1
Disposals	(2.7)	(0.4)	(3.1)
Currency translation differences	(0.9)	–	(0.9)
Changes in fair value of:			
Equity shares classified as available for sale	–	–	–
Unlisted equity shares held at fair value	2.3	0.1	2.4
At 31 January 2014	25.9	0.3	26.2

¹ See note 3 for further details.

10. Settlement balances and short positions

	31 January		31 July 2013 £ million
	2014 £ million	2013 £ million	
Settlement balances	561.7	572.4	438.4
Short positions held for trading:			
Debt securities	39.0	38.0	22.4
Equity shares	15.9	19.9	14.5
	54.9	57.9	36.9
	616.6	630.3	475.3

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11. Financial liabilities

The contractual maturity of financial liabilities is set out below:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
Deposits by banks	46.1	19.1	8.1	2.5	–	75.8
Deposits by customers	166.2	1,183.0	1,610.2	1,092.3	97.6	4,149.3
Loans and overdrafts from banks	7.4	5.0	–	–	–	12.4
Debt securities in issue	–	6.7	–	850.0	198.9	1,055.6
At 31 January 2014	219.7	1,213.8	1,618.3	1,944.8	296.5	5,293.1

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
Deposits by banks	43.6	9.2	7.8	–	–	60.6
Deposits by customers	215.2	814.6	1,438.6	1,132.0	333.0	3,933.4
Loans and overdrafts from banks	17.4	12.3	65.9	–	–	95.6
Debt securities in issue	–	6.2	500.4	–	548.7	1,055.3
At 31 January 2013	276.2	842.3	2,012.7	1,132.0	881.7	5,144.9

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
Deposits by banks	47.5	10.0	5.1	4.0	–	66.6
Deposits by customers	188.4	896.5	1,840.9	879.0	210.6	4,015.4
Loans and overdrafts from banks	19.3	18.3	–	–	–	37.6
Debt securities in issue	–	6.6	–	350.0	698.7	1,055.3
At 31 July 2013	255.2	931.4	1,846.0	1,233.0	909.3	5,174.9

At 31 January 2014, the group had a repurchase agreement whereby £nil (31 January 2013: £81.4 million; 31 July 2013: £39.4 million) FRNs have been lent in exchange for cash of £nil (31 January 2013: £65.9 million; 31 July 2013: £18.3 million) and are included within loans and overdrafts from banks. These FRNs remained on the group's consolidated balance sheet as the group retained the risks and rewards of ownership. Residual maturities of the repurchase agreement were as follows:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Total £ million
At 31 January 2014	–	–	–	–
At 31 January 2013	–	–	65.9	65.9
At 31 July 2013	–	18.3	–	18.3

The group has securitised without recourse and restrictions £1,164.4 million (31 January 2013: £1,090.7 million; 31 July 2013: £1,112.7 million) of its insurance premium and motor loan receivables in return for debt securities in issue of £850.0 million (31 January 2013: £850.0 million; 31 July 2013: £850.0 million). As the group has retained exposure to substantially all the credit risk and rewards of the residual benefit of the underlying assets it continues to recognise these assets in loans and advances to customers in its consolidated balance sheet.

12. 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 were subject for the periods to 31 January 2014 and 31 January 2013 and the year ended 31 July 2013. The table below summarises the composition of regulatory capital and Pillar 1 risk weighted assets at those financial period ends.

	31 January		31 July
	2014 £ million	2013 ¹ £ million	2013 ¹ £ million
Common equity tier 1 capital²			
Called up share capital	37.7	37.6	37.7
Share premium account	283.8	283.5	283.7
Retained earnings and other reserves recognised for common equity tier 1 capital ²	559.3	502.2	537.9
Non-controlling interests	-	3.1	3.7
Deductions from common equity tier 1 capital²			
Intangible assets ³	(138.1)	(138.9)	(141.6)
Foreseeable dividend ⁴	(43.5)	-	-
Goodwill in Mako	-	(7.9)	-
Pension asset, net of associated deferred tax liabilities	(2.5)	-	-
Investment in own shares	(29.0)	(37.1)	(33.9)
Common equity tier 1 capital²	667.7	642.5	687.5
Deductions from tier 1 capital			
50% of material holdings	-	-	(6.2)
Tier 1 capital	667.7	642.5	681.3
Tier 2 capital			
Subordinated debt ⁵	60.0	75.0	75.0
Unrealised gains on available for sale equity shares	10.2	8.4	9.1
Deductions from tier 2 capital			
50% of material holdings	-	-	(6.1)
Tier 2 capital	70.2	83.4	78.0
Deductions from total of tier 1 and tier 2 capital			
Other regulatory adjustments	-	-	(0.4)
Total regulatory capital	737.9	725.9	758.9
Risk weighted assets (notional)			
Credit and counterparty risk	4,179.9	4,187.5	4,366.5
Operational risk ⁶	679.1	745.3	679.1
Market risk ⁶	202.7	167.0	138.9
	5,061.7	5,099.8	5,184.5
Common equity tier 1 capital ratio²	13.2%	12.6%	13.3%
Total capital ratio	14.6%	14.2%	14.6%

1 Restated – see notes 1 and 17.

2 Under Capital Requirements Directive IV ("CRD IV"), the highest quality capital is now defined as "common equity tier 1" being previously referred to as "core tier 1". Accordingly 2013 comparatives are based on the legislative definition of core tier 1 capital in force at that time.

3 At 31 January 2014, under CRD IV requirements intangible assets have been reduced by the level of associated deferred tax liabilities.

4 Following the issuance of the EBA's final draft technical standard on own funds, a deduction has been recognised at 31 January 2014 for a foreseeable dividend. In accordance with this standard, a foreseeable dividend has been determined based on the average payout ratio over the last three years applied to the retained earnings for the period.

5 Under CRD IV transitional arrangements, 80% of the principal value of subordinated debt is recognised at 31 January 2014.

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

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12. Capital continued

The following table shows a reconciliation between equity and common equity tier 1 capital after deductions:

	31 January		31 July
	2014 £ million	2013 ¹ £ million	2013 ¹ £ million
Equity	864.7	794.5	836.5
Regulatory deductions from equity:			
Intangible assets ²	(138.1)	(138.9)	(141.6)
Foreseeable dividend ³	(43.5)	–	–
Goodwill in Mako	–	(7.9)	–
Pension asset, net of associated deferred tax liabilities	(2.5)	–	–
Other reserves not recognised for common equity tier 1 capital ⁴ :			
Non-controlling interests	(2.3)	–	–
Cash flow hedging reserve	(0.4)	3.1	1.7
Available for sale movements reserve	(10.2)	(8.3)	(9.1)
Common equity tier 1 capital⁴	667.7	642.5	687.5

¹ Restated – see notes 1 and 17.

² At 31 January 2014, under CRD IV requirements intangible assets have been reduced by the level of associated deferred tax liabilities.

³ Following the issuance of the EBA's final draft technical standard on own funds, a deduction has been recognised at 31 January 2014 for a foreseeable dividend. In accordance with this standard, a foreseeable dividend has been determined based on the average payout ratio over the last three years applied to the retained earnings for the period.

⁴ Under CRD IV, the highest quality capital is now defined as "common equity tier 1" being previously referred to as "core tier 1". Accordingly 2013 comparatives are based on the legislative definition of core tier 1 capital in force at that time.

The following table shows a summary of impact of CRD IV at 31 January 2014:

	31 January 2014 £ million
Core tier 1 capital (pre CRD IV)	711.3
CRD IV impact:	
Foreseeable dividend ¹	(43.5)
Associated deferred tax liabilities on intangible assets	4.7
Pension asset, net of associated deferred tax liabilities	(2.5)
Non-controlling interests	(2.3)
Common equity tier 1 capital (post CRD IV)	667.7
Risk weighted assets (pre CRD IV)	5,402.7
CRD IV impact:	
SME lending discount	(438.2)
Other ²	97.2
Risk weighted assets (post CRD IV)	5,061.7
Core tier 1 capital ratio (pre CRD IV)	13.2%
Common equity tier 1 capital ratio (post CRD IV)	13.2%

¹ Following the issuance of the EBA's final draft technical standard on own funds, a deduction has been recognised for a foreseeable dividend. In accordance with this standard, a foreseeable dividend has been determined based on the average payout ratio over the last three years applied to the retained earnings for the period.

² Includes higher risk weighting on both deferred tax assets and material holdings below a CRD IV deduction threshold.

13. Contingent liabilities

Financial Services Compensation Scheme ("FSCS")

As disclosed in note 28 of the Annual Report 2013, the group is exposed to the FSCS which provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. The FSCS raises levies on UK licensed deposit-taking institutions to meet such claims based on their share of UK deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March).

Following the default of a number of deposit takers in 2008, the FSCS borrowed funds from HM Treasury to meet the compensation costs for customers of those firms. The interest rate on the borrowings with HM Treasury, which total approximately £20 billion, increased from 12 month LIBOR plus 30 basis points to 12 month LIBOR plus 100 basis points on 1 April 2012. Whilst it is expected that the substantial majority of the principal will be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the institutions that defaulted, to the extent that there remains a shortfall, the FSCS will raise compensation levies on all deposit-taking participants.

The amount of any future compensation levies payable by the group also depends on a number of factors including participation in the market at 31 December, the level of protected deposits and the population of deposit-taking participants. The group continues to accrue for its share of levies that have been raised by the FSCS.

14. Related party transactions

Related party transactions, including salary and benefits provided to directors and key management, did not have a material effect on the financial position or performance of the group during the period. There were no changes to the type and nature of the related party transactions disclosed in the Annual Report 2013 that could have a material effect on the financial position and performance of the group in the six months to 31 January 2014.

15. Consolidated cash flow statement reconciliation

	31 January		31 July
	2014	2013 ¹	2013 ¹
	£ million	£ million	£ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities			
Operating profit before tax	94.8	78.0	163.8
Tax paid	(8.6)	(13.1)	(36.0)
Depreciation and amortisation	16.5	14.3	28.1
(Increase)/decrease in:			
Interest receivable and prepaid expenses	(2.1)	(6.3)	(3.3)
Net settlement balances and trading positions	(32.7)	(12.5)	(3.8)
Net money broker loans against stock advanced	44.2	22.3	(3.2)
(Decrease)/increase in interest payable and accrued expenses	(24.8)	(21.8)	12.8
Net cash inflow from trading activities	87.3	60.9	158.4
(Increase)/decrease in:			
Loans and advances to banks not repayable on demand	(0.1)	(0.2)	0.9
Loans and advances to customers	(209.9)	(247.3)	(519.7)
Floating rate notes classified as available for sale	37.8	49.8	92.2
Debt securities held for liquidity	-	-	50.0
Other assets less other liabilities	(1.3)	44.0	46.6
Increase/(decrease) in:			
Deposits by banks	9.2	(27.4)	(21.4)
Deposits by customers	133.9	485.3	567.3
Loans and overdrafts from banks	(25.2)	(109.4)	(167.4)
Net cash inflow from operating activities	31.7	255.7	206.9
(b) Analysis of net cash outflow in respect of the purchase of non-controlling interests			
Cash consideration paid	(3.8)	(5.0)	(5.0)
(c) Analysis of net cash inflow in respect of the sale of Mako			
Cash consideration received	2.7	1.3	4.8
(d) Analysis of changes in financing activities			
Share capital (including premium) and subordinated loan capital ² :			
Opening balance	396.4	396.0	396.0
Shares issued for cash	0.1	0.1	0.4
Closing balance	396.5	396.1	396.4
(e) Analysis of cash and cash equivalents³			
Cash and balances at central banks	857.2	977.9	929.1
Loans and advances to banks repayable on demand	83.4	114.5	78.2
Certificates of deposit	15.1	25.0	10.1
	955.7	1,117.4	1,017.4

1 Restated – see notes 1 and 17.

2 Excludes accrued interest.

3 Excludes Bank of England cash reserve account and amounts held as collateral.

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16. Fair value of financial assets and liabilities

The fair values of the group's financial assets and liabilities are not materially different from their carrying values, with the exception of subordinated loan capital and the group bond. The fair value of the subordinated loan capital at 31 January 2014 was £88.6 million (31 January 2013: £88.0 million; 31 July 2013: £84.9 million) and the carrying value was £77.3 million (31 January 2013: £77.2 million; 31 July 2013: £77.3 million). The fair value of the group bond at 31 January 2014 was £223.0 million (31 January 2013: £223.9 million; 31 July 2013: £218.1 million) and the carrying value was £205.1 million (31 January 2013: £204.8 million; 31 July 2013: £204.9 million).

The group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined in note 33 "Financial risk management" of the Annual Report 2013.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy at 31 January 2014:

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
Assets				
Debt securities:				
Long trading positions in debt securities held for trading	52.7	5.2	–	57.9
Gilts classified as available for sale	46.1	–	–	46.1
Equity shares:				
Held for trading	53.2	–	–	53.2
Fair value through profit or loss	0.1	–	0.2	0.3
Available for sale	–	–	25.9	25.9
Derivative financial instruments	0.6	55.7	–	56.3
	152.7	60.9	26.1	239.7
Liabilities				
Short positions:				
Debt securities	34.6	4.4	–	39.0
Equity shares	15.9	–	–	15.9
Derivative financial instruments	–	44.4	–	44.4
	50.5	48.8	–	99.3

There were no significant transfers between Level 1 and 2 for the six months ended 31 January 2014.

Movements in financial assets categorised as Level 3 during the six months ended 31 January 2014 were:

	Equity shares	
	Available for sale £ million	Fair value through profit/(loss) £ million
At 1 August 2013	27.1	0.6
Total gains recognised in the consolidated income statement	–	0.2
Total gains recognised in other comprehensive income	1.4	–
Purchases and issues	0.1	–
Sales and settlements	(2.7)	(0.6)
At 31 January 2014	25.9	0.2

There were no gains/(losses) recognised in the consolidated income statement relating to instruments held at the period end.

17. Restatement of prior period information

As explained in note 1, the group adopted IAS 19 (Revised) on 1 August 2013. The group has restated information for the preceding comparative years. The amount of the restatement for each financial statement line item affected by retrospective application of IAS 19 (Revised) is provided below. The group has not presented a balance sheet for the beginning of the earliest comparative period as the impact is not material.

	As reported six months ended 31 January 2013 £ million	IAS 19 (Revised) £ million	Restated six months ended 31 January 2013 £ million	As reported year ended 31 July 2013 £ million	IAS 19 (Revised) £ million	Restated year ended 31 July 2013 £ million
Consolidated Income Statement						
Administrative expenses	(177.4)	0.7	(176.7)	(365.8)	0.7	(365.1)
Total operating expenses before exceptional income and amortisation of intangible assets on acquisition	(203.2)	0.7	(202.5)	(416.4)	0.7	(415.7)
Operating profit before exceptional income and amortisation of intangible assets on acquisition	79.8	0.7	80.5	166.5	0.7	167.2
Operating profit before tax	77.3	0.7	78.0	163.1	0.7	163.8
Tax	(17.9)	(0.1)	(18.0)	(42.6)	(0.1)	(42.7)
Profit after tax for the period	59.4	0.6	60.0	120.5	0.6	121.1
Profit attributable to shareholders	58.8	0.6	59.4	119.4	0.6	120.0
Basic earnings per share	40.4p	0.4p	40.8p	81.6p	0.4p	82.0p
Diluted earnings per share	39.7p	0.4p	40.1p	80.2p	0.4p	80.6p
Consolidated Statement of Comprehensive Income						
Profit after tax for the period	59.4	0.6	60.0	120.5	0.6	121.1
Other comprehensive income that will not be reclassified to income statement						
Defined benefit pension scheme gains	–	–	–	–	2.4	2.4
Tax relating to items that will not be reclassified	–	–	–	–	(0.5)	(0.5)
Total other comprehensive income that will not be reclassified to income statement	–	–	–	–	1.9	1.9
Other comprehensive income for the period, net of tax	5.3	–	5.3	2.8	1.9	4.7
Total comprehensive income for the period	64.7	0.6	65.3	123.3	2.5	125.8
Attributable to shareholders	64.1	0.6	64.7	122.2	2.5	124.7

	As reported six months ended 31 January 2013 £ million	IAS 19 (Revised) £ million	Restated six months ended 31 January 2013 £ million	As reported year ended 31 July 2013 £ million	IAS 19 (Revised) £ million	Restated year ended 31 July 2013 £ million
Consolidated Balance Sheet						
Deferred tax assets	32.6	1.6	34.2	24.7	1.1	25.8
Prepayments, accrued income and other assets	133.9	(7.4)	126.5	132.0	(5.0)	127.0
Total assets	6,963.3	(5.8)	6,957.5	6,835.0	(3.9)	6,831.1
Accruals, deferred income and other liabilities	184.9	0.1	185.0	202.2	0.1	202.3
Total liabilities	6,162.9	0.1	6,163.0	5,994.5	0.1	5,994.6
Retained earnings	474.6	(5.9)	468.7	515.9	(4.0)	511.9
Total shareholders' equity	797.3	(5.9)	791.4	836.8	(4.0)	832.8
Total equity	800.4	(5.9)	794.5	840.5	(4.0)	836.5
Total liabilities and equity	6,963.3	(5.8)	6,957.5	6,835.0	(3.9)	6,831.1

Consequential amendments have also been made to the consolidated statement of cash flows and the notes to the interim financial statements. The impact of retrospective application on each component of equity is shown in the consolidated statement of changes in equity, as required by IAS 1 "Presentation of financial statements".

Auditor

Deloitte LLP

Solicitor

Slaughter and May

Corporate Brokers

J.P. Morgan Cazenove
UBS Investment Banking

Registrar

Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Shareholder helpline: 0871 664 0300 (Calls cost 10p per minute plus network extras)
From overseas: +44 (0)20 8639 3399
Lines are open 9.00 am to 5.30 pm Monday to Friday, excluding UK public holidays
Fax: +44 (0)20 8639 2220
Email: shareholderenquiries@capita.co.uk
Website: www.capitashareportal.com

Registered Office

Close Brothers Group plc
10 Crown Place
London EC2A 4FT

Telephone: +44 (0)20 7655 3100
Email: enquiries@closebrothers.com
Website: www.closebrothers.com

Company No. 520241



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Designed by Emperor Design Consultants Limited.

Typeset by RR Donnelley.

Photography by Piranha Photography Limited.

Close Brothers Group plc
10 Crown Place
London EC2A 4FT
Tel: +44 (0)20 7655 3100

www.closebrothers.com